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Department of Communications

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2014–15

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Letter of transmittal



Australian Government
Department of Communications and the Arts

Nerida O'Loughlin

Acting Secretary

Senator the Hon Mitch Fifield
Minister for Communications and the Arts
Parliament House
CANBERRA ACT 2600

Dear Minister

I present the Annual Report of the Department of Communications and the Arts (previously Department of Communications) for the year ended 30 June 2015 for your presentation to the Parliament in accordance with section 63(1) of the *Public Service Act 1999* (the Act).

This Report has been prepared in accordance with the provisions of section 63 of the Act and the Requirements for Annual Reports as approved by the Joint Committee of Public Accounts and Audit.

In accordance with the Commonwealth Fraud Control Framework, I certify that the Department of Communications and the Arts has reviewed its fraud control policy, guidelines and plan and has the required fraud prevention, detection, investigation, reporting and data collection procedures and processes in place to comply with the framework.

Yours sincerely

A blue ink signature of Nerida O'Loughlin.

Nerida O'Loughlin
| October 2015



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Established

The Digital Transformation Office

The new Digital Transformation Office (DTO) has been established to **transform government service delivery** to better meet the needs of all Australians.



Bureau of Communications Research



We established the Bureau of Communications Research to **identify and analyse emerging market trends**.

The Bureau's work is improving our understanding of how the impacts of digitisation on productivity growth in the Australian economy are measured and understood. As part of this we have produced two Leading indicators for the communications sector, a primer on digital productivity and two consultation papers.

Office of the Children's e-Safety Commissioner

The Office of the Children's e-Safety Commissioner was established to promote a coordinated approach to online safety of children.



National Broadband Network



Reviews of the National Broadband Network (NBN) have suggested how the Australian Government can make sure **all Australians get access to high-speed broadband** and the appropriate regulatory framework to promote competition.

The Vertigan Review provided three reports:

- Statutory Review of Part XIC of the *Competition and Consumer Act 2010*
- Independent Cost-Benefit Analysis of Broadband
- NBN Market and Regulatory Review.

The review identified the net benefits from different approaches to rolling out the NBN and found that the multi-technology mix would provide \$18 billion in benefits to the community and the economy.

We also took part in negotiations to amend commercial arrangements between NBN Co and Telstra, NBN Co and Optus, and Telstra and the Commonwealth relating to the NBN.



Online safety

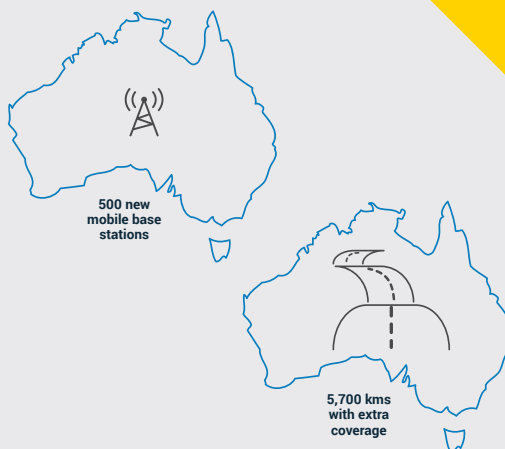
This year the Stay Smart Online website received **766,167** unique visitors to the site.

The free Stay Smart Online Alert Service sends email and social media messages to more than **21,000** subscribers and **9,300** Facebook followers about current threats.

Mobile Black Spot Programme

Almost **500** [499] new or upgraded mobile base stations would be built around Australia under the **\$100** million Mobile Black Spot Programme.

These would provide new handheld coverage to **68,600 km²** and new external antenna coverage to over **150,000 km²**, and over **5,700 km** of major transport routes would receive new handheld or external antenna coverage.



Freeing up spectrum

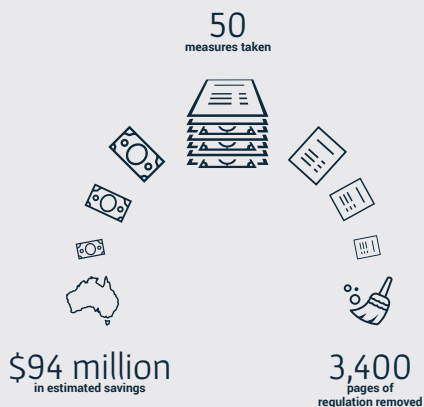
Following on from the successful digital television switchover process, the Restack Programme moved **1,476** free-to-air digital television services, with **20.4 million viewers** retuning their televisions.

The restack of broadcasting services out of the digital dividend spectrum was completed in November 2014. The digital dividend of **126 megahertz** is the largest contiguous UHF digital dividend anywhere in the world.

The freed-up spectrum was available for new mobile and wireless broadband services from 1 January 2015.

Deregulation

More than **50** measures aimed at reducing the compliance burden have been announced, generating over **\$94 million** in estimated savings for businesses and consumers and removing over **3,400** pages of redundant or obsolete regulation.



Australia Post

The number of domestic letters sent by Australia Post per year has **dropped by over one billion** since 2008.

The Government has introduced reforms allowing Australia Post to introduce a **two-speed letter service**, which will help deliver a viable, quality postal service for future generations.

Guide to the report



This report outlines the operations and performance of the Department of Communications for the financial year ending 30 June 2015. It has been prepared in accordance with the Requirements for Annual Reports issued by the Department of the Prime Minister and Cabinet in June 2015.

Note that figures in tables and in the text of this report may be rounded. Figures in the text are generally rounded to one decimal place, while those in tables are generally rounded to the nearest thousand. Discrepancies in tables between totals and sums of components are due to rounding.

Section 1—Overview

Includes a review of the year by the Secretary and an outline of the Department, performance reporting structure, functions and services, as well as an overview of the portfolio structure.

Section 2—Performance reporting

Reports on how our programmes performed during the year and how they contributed to achieving our outcome. We benchmark our achievements against deliverables and key performance indicators set out in our 2014–15 Portfolio Budget Statements.

Section 3—Management and accountability

Details our governance arrangements, management practices and outcomes and workforce management.

Section 4—Financial statements

Contains our audited financial statements for 2014–15.

Section 5—Appendices

Supplementary information on a range of issues, such as a resource statement and expenses for outcome, reporting on legislation and statutory instruments, workforce demographics, and advertising and market research.

Section 6—Reference information

Provides a list of acronyms, glossary of terms, an alphabetical index and a compliance index.



Section 1

Overview

This section provides a review of the year by our Secretary and an overview of the Department's structure and functions, performance reporting structure, ministerial arrangements and portfolio agency structure.

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Drew Clarke, Secretary.

Secretary's review

2014–15 was a year of significant structural change across the portfolio, including within the Department of Communications. These changes responded to the Government's election and other commitments and the rapidly evolving communications sector.

We welcomed the Government's initiative to establish a Digital Transformation Office (DTO) within our portfolio, given our priority to enhance Australia's digital productivity. The DTO will ensure that government services and information can be delivered digitally from start to finish and better serve the needs of citizens and businesses. The Department assisted in the DTO's formal establishment on 1 July 2015.

We also assisted the Parliamentary Secretary with the establishment of the Children's e-Safety Commissioner as an independent statutory office within the Australian Communications and Media Authority (the ACMA).

We managed the transition of the functions of the Telecommunications Universal Service Management Agency (TUSMA) into the Department in line with the Government's smaller government initiative.

Within the Department, we realigned our internal operations and our structure to better support our strategic priorities and a rapidly evolving communications environment. We created a Department better able to fulfil our purpose of promoting an innovative and competitive communications sector so all Australians can realise the full potential of digital technologies and communication services.

Our new structure was put in place in September 2014 and has three policy areas—Infrastructure, Digital Productivity and Consumer and Content, which cut across traditional industry boundaries—a Strategy Group to provide cross-divisional oversight, a Corporate Division and an Office of General Counsel.

We also established the Bureau of Communications Research to improve how the impacts of digitisation on productivity growth in the Australian economy are measured and interpreted. The Bureau will also strengthen the Department's capability for evidence-based policy advice in an increasingly complex environment.

Our restructure was not without challenge and it says much about the calibre of our staff that during what was an unsettling process, we continued to deliver a major policy and programme agenda.

Critical to that agenda was supporting the rollout of the National Broadband Network by NBN Co. In 2014–15, we took part in negotiations to amend commercial arrangements between NBN Co and Telstra, NBN Co and Optus, and between Telstra and the Commonwealth, relating to the National Broadband Network. The amendments accommodate the Government's preferred use of different technologies for the network, including allowing NBN Co to progressively take ownership of Telstra's copper and cable networks and Optus' cable network.

We also worked with NBN Co on deployment principles and a strategic planning approach to determine which technologies are to be used in which area. We provided advice and support to the government-appointed panel of experts in finalising the Independent Cost Benefit Analysis of Broadband and Review of Regulation.

In December 2014, we called for applications from mobile network operators and specialist infrastructure providers for the Mobile Black Spot Programme. In June 2015, the Minister and Parliamentary Secretary announced that almost 500 new or upgraded mobile base stations would be built around Australia.

The restack of broadcasting services was completed in November 2014, marking the completion of Australia's conversion to digital-only television. Under the restack project, 1,476 free-to-air digital television services were successfully relocated to new channels freeing up valuable spectrum and making it ready for use for new mobile and wireless broadband services from 1 January 2015.

We also progressed significant policy reform, in particular through the completion of the Spectrum Review in conjunction with the ACMA. This is the first review of the spectrum framework in more than 20 years and aims to set a future reform pathway for this increasingly critical and contested public good.

We supported the Minister in developing and announcing reform initiatives to help Australia Post remain viable in the face of the dramatic drop in its letters business.

We continued to contribute to the Government's deregulation agenda with more than 50 measures to reduce the compliance burden on industry and individuals announced, generating more than \$94 million in regulatory savings. This included not requiring Australians to re-register their details on the popular Do Not Call Register.




We provided advice and support to the government-appointed panel of experts in finalising the Independent Cost Benefit Analysis of Broadband and Review of Regulation.




Internally, and in keeping with our aim to be at the leading edge of digital government, we signed a contract to move our entire IT infrastructure to a secure cloud service—the first Commonwealth Department to do so. We redeveloped our website in the GovCMS platform—the whole-of-government content management system solution—meaning that we have built an open source product, reaping the gains of cloud hosting and contributing back to a new government digital web community.

Operationally, we reported an operating surplus of \$0.6 million (excluding depreciation) in 2014–15, down from \$1 million (excluding depreciation) in 2013–14, with a net cost of services of \$96.7 million.

Soon after our restructure the Australian Public Service Commission (APSC) carried out a Capability Review of the Department. It found we have a range of strengths, including a collegiate, dedicated workforce with a strong delivery focus, positive stakeholder relationships and a clear strategy and purpose. The Review also provided direction on where we need to further focus and we have used it to shape our longer-term approach to strengthening leadership, strategy and delivery. We will continue our programme of work to respond to these findings in 2015–16.



Operationally, we reported an operating surplus of \$0.6 million (excluding depreciation) in 2014–15, down from \$1 million (excluding depreciation) in 2013–14, with a net cost of services of \$96.7 million.



Our capabilities will serve us well in delivering our priorities in 2015–16. This will include further reform of the policy and regulatory framework for the telecommunications sector, working closely with NBN Co as the rollout of the multi-technology mix starts to reach scale, conducting round two of the Mobile Black Spot Programme, finalising the Spectrum Review outcomes, undertaking a major review of the ACMA, and completing the Regional Telecommunications Review.

I thank staff for their hard work and collegiate attitude through what has been a busy and challenging time and look forward to another exciting and demanding year for our new Department of Communications.

About the Department

The Department of Communications promotes an innovative and competitive communications sector so Australians can realise the full potential of digital technologies and communications services.

We are the Government's pre-eminent advisor on communications, in particular digital technologies and communications services.

Our Corporate Plan

Our four strategic priorities, as outlined in the Corporate Plan 2014–17, are as follows:

- > **Enhancing digital productivity.** Rapid technological change is transforming the economy, with significant implications for productivity, competition and innovation. The speed and success with which certain sectors, and the economy as a whole, can adopt these technologies is of increasing importance to our national prosperity. We advise the Government on opportunities arising from the innovative adoption and use of digital technologies.
- > **Expanding digital infrastructure.** Australia's economy and security increasingly relies on the availability and integrity of digital infrastructure, communications networks and systems. We advise the Government on the necessary market settings to deliver competitive and efficient digital infrastructure to drive growth in the broader economy.

- > **Promoting efficient communications markets.** We advise the Government on the necessary market settings to promote competition, while ensuring access to basic services, making available socially valuable content, and safeguarding consumers from inappropriate content.
- > **Strengthening our capabilities.** To be the Government's pre-eminent advisor on digital technologies and communications services we must possess strong capabilities in leadership, strategy and delivery.

We are guided by the Australian Public Service Values, which underpin our work and are demonstrated in our workplace behaviours and Client Service Charter.

The 2014–17 Corporate Plan has been updated to comply with Public Governance, Performance and Accountability Act requirements and environmental developments since 2013. From 15 September 2015, our Corporate Plan is renamed as 2015–19 Corporate Plan.

Outcome and programme

In 2014–15, we consolidated all existing programmes from 2013–14 into a single programme: Digital Technologies and Communications Services. This reflected a restructure of our Department to better address the strategic priorities and directions in our Corporate Plan 2014–17.

Outcome and programme structure

Table 1.1 Outcome and programme structure in 2014–15

2014–15 Portfolio Budget Statements	2014–15 Portfolio Additional Estimates Statements	2014–15 Portfolio Supplementary Additional Estimates Statements
Outcome 1: Promote an innovative and competitive communications sector, through policy development, advice and programme delivery, so all Australians can realise the full potential of digital technologies and communications services.		
Programme 1.1 Digital Technologies and Communications Services: To provide strategic advice on and administer projects and initiatives, to: <ul style="list-style-type: none"> > enhance digital productivity—advising Government on the opportunities arising from the innovative adoption and use of digital technologies, and supporting government, business and the community to maximise these opportunities > expand digital infrastructure—advising Government on the necessary market settings to deliver competitive and efficient digital infrastructure to drive growth in the broader economy > promote efficient communications markets—advising Government on the necessary market settings to promote competition, while ensuring access to basic services, making available socially valuable content, and safeguarding consumers from inappropriate content. This is supported through research to identify, assess and explain developments in digital technologies and communications networks and services.		
	No change	No change
	No change	No change

Department structure and functions

The Secretary of the Department throughout 2014–15 was Drew Clarke.

Several changes were made to our structure and functions in 2014–15 and included:

- > From February to August 2014, we carried out a department-wide layer-by-layer design and selection process to redesign jobs and place staff into a new structure. The new structure started on 1 September 2014 and represents a significant step forward in aligning our people and our resources to our strategic priorities in a smaller organisation.
- > The Bureau of Communications and Research was created in September 2014 following the appointment of Dr Paul Paterson as Chief Economist. The Bureau was created as a professionally independent unit within the Department to contribute to strengthening and maintaining our strategic policy and research capability. It provides authoritative economic research and market analysis of the communications sector to inform policy development and advice, improve the evidence base for our policy agenda, and contribute to informing public debate and community awareness of emerging trends in the communications sector.
- > The Telecommunications Legislation Amendment (Deregulation) Bill 2014 was passed by the Parliament on 25 March 2015 and as part of the deregulation and smaller government agenda, the functions of the Telecommunications Universal Service Management Agency (TUSMA) were transitioned into our Department on 1 July 2015.
- > During 2014–15, the Department was organised into three policy areas (Digital Productivity, Infrastructure, Consumer and Content), a Bureau of Communications Research, a Strategy Group, a Corporate Division and an Office of the General Counsel.

Digital Productivity

The Digital Productivity division administered Programme 1.1 and implemented the strategic priority *enhancing digital productivity*.

First Assistant Secretary—Marianne Cullen

Infrastructure

The Infrastructure group administered Programme 1.1 and implemented the strategic priority *expanding digital infrastructure*.

Deputy Secretary—Ian Robinson

Consumer and Content

The Consumer and Content division administered Programme 1.1 and implemented the strategic priority *promoting efficient communications markets*. The division also achieved the successful completion of the restack of national and commercial digital television channels across Australia.

First Assistant Secretary—Simon Pelling

Bureau of Communications Research

The Bureau of Communications Research supported Programme 1.1 and our key strategic priority to promote an innovative and competitive communications sector by encouraging—through research and analysis—fact-based public discussion and debate, as well as informed, innovative policy development and advice to government.

Chief Economist—Dr Paul Paterson

Strategy

The Strategy Group provided strategic advice and coordination of major departmental priorities and portfolio agency operations. Its work contributed to our strategic priorities of *promoting efficient communications markets* through over-seeing regulatory reforms and developing deregulation options, and *strengthening our capabilities* through promoting the use of practical strategic policy advice.

Deputy Secretary—Nerida O'Loughlin

Corporate


The Corporate division provided a range of support services for staff, and developed and implemented strategies to support the continuous improvement of the Department.

**Acting First Assistant Secretary,
Corporate—Kurt Munro**

General Counsel

The Office of the General Counsel managed the preparation and delivery of legal services and strategic advice to the Department.

General Counsel—Angela Flannery



The Corporate division provided a range of support services for staff, and developed and implemented strategies to support the continuous improvement of the Department.

Organisation chart

Figure 1.1 Department of Communications organisation chart as at 30 June 2015

Executive Drew Clarke Secretary						
Infrastructure Ian Robinson Deputy Secretary	Consumer & Content Simon Pelling First Assistant Secretary	Digital Productivity Marianne Cullen First Assistant Secretary	Bureau of Communications Research Dr Paul Paterson Chief Economist	Corporate Kurt Munro (a/g) First Assistant Secretary	Office of the General Counsel Angela Flannery General Counsel	Strategy Nerida O'Loughlin Deputy Secretary
	Infrastructure Deployment Jo Grainger Assistant Secretary	Consumer Access Sylvia Spasieski Assistant Secretary	Digital Innovation Claire McFarland Assistant Secretary	Executive Director Liz O'Shea Assistant Secretary	Digital Communications Kim Ulrick Assistant Secretary	Deputy General Counsel Trudi Bean
Infrastructure Security & Resilience Simon Cordina Assistant Secretary	Consumer Protection Rohan Buettel Assistant Secretary	Data Policy Helen Owens Assistant Secretary		Human Resources Debbie Kerrins Assistant Secretary	Executive Legal Officer, Regulatory Kylie Browne	Strategy Andrew Maurer Assistant Secretary
Broadband Implementation Duncan McIntyre Assistant Secretary	Media Ann Campton Assistant Secretary	Project Office Andrew Madsen Assistant Secretary		Finance & Risk Management Lynnere Gray (a/g) Assistant Secretary	Executive Legal Officer, Projects Caterina Laria	
Market Structure Philip Mason Assistant Secretary	Postal Services Lachlann Paterson Assistant Secretary	Market Analysis Emmanuel Njuguna Director		Information Technology Megan Henry (a/g) Chief Information Officer		
Spectrum Brian Kelleher Assistant Secretary	Market Analysis Andrew Biggs Director	International Engagement and Strategy Caroline Greenway Director		Corporate Services Kim Mihalycha Director		
Market Analysis Kathryn Ries Director	Executive Policy Adviser Graeme Wolff					
Executive Policy Adviser Imogen Colton						

Organisational change programme

We started a significant change process in late February 2014 when our Corporate Plan for 2014–17 was released. Objectives included:

- > align our structure and resources with our strategic priorities
- > allow the Department to operate within available resourcing
- > streamline decision making processes
- > increase staff ownership of and accountability for their work
- > strengthen our capabilities.

A department-wide layer-by-layer design and selection process to redesign and fill positions in a new structure was carried out from March to August 2014.

On 1 September 2014, we moved to the new structure that aligns our people and our resources to our new strategic priorities.

The structure includes:

- > a strategy office to provide advice and coordination
- > three policy areas
- > the Bureau of Communications Research
- > a Corporate Division
- > an Office of the General Counsel.

Australian Public Service Commission Capability Review

The Capability Review was an independent, forward-looking assessment carried out by the Australian Public Service Commission (APSC). It focused on how well placed we are to achieve our objectives and meet future challenges.

The review was carried out soon after our new structure was put in place in September 2014 and proved to be a timely and valuable exercise, as it allowed us to test our progress and obtain an independent view of our strengths and development areas.

The review found our Department has a range of strengths, including a collegiate, dedicated workforce with a strong delivery focus, positive stakeholder relationships and a clear strategy and purpose. It also provided direction on where we need to further focus our efforts to build capability, with key areas being leadership visibility and behaviours, people development, performance management and business planning.

We used the review to shape our longer-term approach to strengthening leadership, strategy and delivery, and are implementing a Capability Action Plan in response to the review findings.


Strengthening organisational capability

To realise the full benefits of the reorganisation and restructure, and support the implementation of our Corporate Plan strategic priorities, we identified a range of priority initiatives focused on building organisational capability.

The Secretary created the Strengthening Organisational Capability Programme Office in January 2015 as a temporary measure to oversee, report on and communicate about the progress of those initiatives. The Programme Office also developed a Capability Action Plan in response to the APSC Capability Review Report that was publicly released on 2 June 2015.

To improve our flexibility and agility when responding to changing priorities and a changing landscape, we created a cross-departmental Project Office. It is led by an SES Band 1 officer and has the flexibility to take on emerging priorities that need to be resourced quickly, but have a finite life. The Project Office is largely staffed on a rotation basis, providing an opportunity for staff to develop their skills and capabilities and contribute to high priority work.

We have made significant progress towards becoming a new Department of Communications in 2014–15, while also successfully delivering a major policy and programme agenda through the hard work, energy and enthusiasm of staff.



To improve our flexibility and agility when responding to changing priorities and landscape, we created a cross-departmental Project Office.

Ministerial arrangements

Throughout 2014–15, the Hon Malcolm Turnbull MP served as the Minister for Communications and the Hon Paul Fletcher MP served as his Parliamentary Secretary.

Communications portfolio

As at 30 June 2015, the Communications portfolio included:

- > Australia Post
- > Australian Broadcasting Corporation (ABC)
- > The Australian Communications and Media Authority (the ACMA)
- > NBN Co Limited (NBN Co)
- > Special Broadcasting Service Corporation (SBS)
- > Telecommunications Universal Service Management Agency (TUSMA).

On 23 January 2015, the Prime Minister and Minister for Communications announced a Digital Transformation Office (DTO) would be created in the Communications portfolio. It was formally established as an executive agency on 1 July 2015.

The transfer of the functions of TUSMA into our Department was announced in the 2014–15 Budget. In 2014–15, we worked with TUSMA to permanently transfer staff and functions into the Department effective 1 July 2015.

Australia Post

Australia Post is a Government Business Enterprise, wholly owned by the Australian Government. It provides a high-quality mail and delivery service to all Australians and a range of parcel and logistics services.

We advised on the postal sector and protection of the Government's interest as a shareholder of Australia Post.

Website www.auspost.com.au

Australian Broadcasting Corporation (ABC)

The ABC is a national broadcaster. It contributes to and reflects Australia's national identity, fosters creativity and the arts and encourages cultural diversity. The ABC is an integral part of the radio, television and online production industries and the news and information media.

We supported the Minister with advice on ABC policy and funding matters, the availability and rollout of ABC services, and ABC Board appointments.

Website www.abc.net.au

The Australian Communications and Media Authority (the ACMA)

The ACMA is responsible for regulating broadcasting, radio communications, telecommunications and online content in accordance with legislation. The ACMA works with all stakeholders to maximise the public benefit, including the extent to which the regulatory framework addresses the broad concerns of the community, meets the needs of industry, and maintains community and national interest safeguards.

We advised the Minister on appropriate consumer safeguards relating to the provision of content and communications services regulated by the ACMA.

Website www.acma.gov.au

NBN Co Limited (NBN Co)

NBN Co is a Government Business Enterprise, wholly owned by the Australian Government. Its role is to plan, rollout and operate the National Broadband Network, providing high-speed broadband access to all Australians.

We were responsible for the implementation of, monitoring of and improvements to the regulatory framework for the National Broadband Network, including regulations applying to NBN operations and Telstra's Structural Separation and Migration Plan.

Website www.nbnco.com.au



Special Broadcasting Service Corporation (SBS)

The SBS is a national broadcaster. It provides multicultural and multilingual services that inform, educate and entertain all Australians. Its mission is to contribute to a more cohesive, equitable and harmonious Australia through its television, radio and online services.

We supported the Minister with advice on SBS policy and funding matters, the availability and rollout of SBS services, and SBS Board appointments.

Website www.sbs.com.au

Telecommunications Universal Service Management Agency (TUSMA)

TUSMA is responsible for supporting the delivery of universal service and other public interest telecommunications services to all Australians.

Website www.tusma.gov.au

CASE STUDY

Bureau of Communications Research

Established in September 2014, the Bureau of Communications Research is the Department's independent economic and statistical research unit.

It plays a critical role in supporting the Department's role as the pre-eminent advisor on communications. This includes strengthening the Department's strategic advice capability and supporting policy areas through research to identify, assess and explain developments in digital technologies and communications markets and services, including analysis of international communications policy, trends and issues.

It publishes communications data and research in an easy-to-read format and works with industry, researchers, other areas of government and the public to support informed discussion on policy and regulatory issues in the communications sector.

It has established a research and analysis work programme structured around core strategic research, commissioned projects, improving capability and collaboration, a publication programme, and stakeholder engagement. The programme includes:

- > Assessing the impact of digitisation on national productivity.
- > Identifying factors that facilitate or impede the efficient uptake and use of digital services, and describing subsequent policy options.
- > Assessing the economic benefits of open government data.
- > Examining the National Broadband Network non-commercial services funding options for the Government.
- > Creating a platform to provide improved availability and better utilisation of data and information in the communications sector, including the use of Big Data analytics.



- > Working with the Australian Bureau of Statistics on a joint review of Information and Communications Technology statistics to help improve the quality of data available to decision makers. The review helps develop an improved framework for the ongoing assessment of the digital economy.

In 2015, we released the first of a series of primers designed to provide readers with an introduction to basic concepts and methodologies in a number of areas. These included a *Cost-benefit analysis primer* and *A primer on the design and assessment of non-commercial service arrangements*. The May 2015 release, *A primer on digital productivity*, is a key tool for policy officers that looks at the impact of digitisation on productivity, and provides a lead-in to further industry and firm-level analysis.

We have conducted extensive stakeholder engagement with peak bodies, industry, academia, the research community and state and federal government agencies, and hosted a series of stakeholder forums in 2014–15.

An Advisory Committee was created to oversee the Bureau's strategic research framework and work programme. A Communications Data Working Group was formed to streamline the sourcing of data from industry.

We are developing a framework to assess blockers and enablers in the communications sector. This framework will be applied to selected topics related to digital technologies and communications services.

Early applications include online intermediaries, social media and the internet-of-things. The blockers and enablers project will support the Department's role in providing strategic advice through research to not only explain developments in digital technologies and communications markets, but also to identify potential areas for policy reform or reassessment.

| www.communications.gov.au/what-we-do/bureau-communications-research



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Section 2

Performance reporting

This section outlines how our one programme—Programme 1.1: Digital Technologies and Communications Services—performed in 2014–15, with a focus on the achievement of the deliverables and key performance indicators set out in our 2014–15 Portfolio Budget Statements.

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Outcome 1

Promote an innovative and competitive communications sector, through policy development, advice and programme delivery, so all Australians can realise the full potential of digital technologies and communications services.

Outcome 1 Strategy

We delivered our outcome through a single programme: Digital Technologies and Communications Services.

Our strategy for delivering the outcome was to provide strategic advice on, and administer projects and initiatives, to:

- > Enhance digital productivity—advising the Government on the opportunities arising from the innovative adoption and use of digital technologies, and supporting government, business and the community to maximise these opportunities.
- > Expand digital infrastructure—advising the Government on the necessary market settings to deliver competitive and efficient digital infrastructure to drive growth in the broader economy.

- > Promote efficient communications markets—advising the Government on the necessary market settings to promote competition, while ensuring access to basic services, making available socially valuable content, and safeguarding consumers from inappropriate content and unfair dealing.

This outcome is supported through research to identify, assess and explain developments in digital technologies and communications networks and services.

Programme 1.1: Digital Technologies and Communications Services

Enhancing digital productivity

PBS and PAES 2014–15 Deliverables and Key Performance Indicators

Deliverables

- > Research, analysis and advice on digital technologies, including how developments can enhance productivity, competition and innovation across the economy, and implications and recommendations for government policy.
 - > Leadership, strategic policy advice and coordination, and support to maximise the productivity benefits across the economy from digital services and technologies, including:
 - advising on necessary settings to maximise the benefits from use of open data
 - in conjunction with the Department of Finance, promoting increased use of digital technologies to deliver government services
 - maintaining digitalbusiness.gov.au to help small business and community organisations establish or enhance their online presence
 - producing independent research on developments across the communications and digital technologies sectors to inform policy advice and development
 - funding NICTA through the ICT Centre of Excellence programme to support ICT research to advance the development of the digital economy
 - developing national policies and standards for spatial data sets to support initiatives such as the rollout of the National Broadband Network and the commitment to Open Data principles
 - working with other government agencies to implement technologies that boost productivity and improve government online systems, products, services and data sets.
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Key Performance Indicator	Result
Policy advice on maximising the productivity benefits across the economy arising from use and application of digital services and technology.	<p>Achieved</p> <p>We provided expert policy advice—informed by international and domestic evidence—on a range of issues relating to the use and application of digital services and technology across the economy, including online copyright infringement, technology-driven innovation, technology start-ups, digital transformation of government services, as well as the use and release of government data.</p>
Timely, effective and evidence-based policy advice on e-government capabilities and readiness.	<p>Achieved</p> <p>We provided policy advice—informed by international best practice and evidence—on options to transform government service delivery, and implement the Government's e-government agenda, including the establishment of the Digital Transformation Office. We worked with agencies to understand existing capability and readiness across Commonwealth Government agencies to inform policy options.</p>
Progress on the increased number of Government data sets accessible online.	<p>Achieved</p> <p>With our partner agencies, we released over 2,200 spatially-referenced datasets on the NationalMap, a platform that allows users to 'mashup' or download open government datasets.</p>
Take-up of, and feedback on, initiatives and projects to maximise productivity benefits from digital services and technologies, including Digital Hubs, Digital Enterprises, Digital Business Kits and Digital Local Government.	<p>Achieved</p> <p>The Digital Business website we manage has seen a steady year-on-year growth. This year promotional activities we ran saw traffic to the site increase by 39 per cent when compared to 2013–14.</p> <p>The Digital Hubs programme finished on 30 June 2015. It delivered over 73,000 individual and group training sessions to almost 140,000 participants.</p> <p>Grant funding was provided to 47 local councils under the Digital Local Government Programme, which also ended on 30 June 2015.</p> <p>The Digital Enterprise programme has assisted almost 42,000 participants to improve their online presence and expand their market.</p> <p>In 2014–15, nine industry-specific Digital Business Kits were developed.</p>

Key Performance Indicator	Result
Quality and contribution of research produced by the Department to identify, assess and explain developments in technologies and communications networks and services.	<p>Achieved</p> <p>The Bureau of Communications Research started work to improve how the impact of digitisation on productivity growth in the Australian economy is measured and understood.</p> <p>The Digital Productivity Market Analysis team produced weekly reports analysing major studies and research released by third parties on digital productivity issues including the OECD, the World Bank, consulting firms and industry associations. It produced quarterly, in-depth papers explaining recent technology developments and implications for government policy on issues such as Raspberry Pi and 3D printing.</p>
NICTA's contribution to the commercialisation of ICT and online innovation and the development of ICT and online research and commercialisation skills	<p>Achieved</p> <p>During 2014–15, NICTA supported 310 graduate researchers undertaking enhanced PhD training and 32 professionals entered the Australian marketplace from NICTA.</p> <p>NICTA's NationalMap is software developed for the Department of Communications to provide web-based access to Australian spatial data. It was a recent winner in the government category of the NSW iAwards and a CeBIT.AU Business Awards finalist in the Innovation category.</p>

Significant activities and achievements in 2014–15

Establish the Digital Transformation Office

KPIs achieved:

- > Policy advice on maximising the productivity benefits across the economy arising from use and application of digital services and technology.
- > Timely, effective and evidence-based policy advice on e-government capabilities and readiness.

During 2014–15, we provided support and strategic policy advice on e-government, which contributed to the Government's decision to invest \$254.7 million over four years in a new Digital Transformation Office (DTO)—an Executive Agency within the Communications portfolio—to implement its Digital Transformation Agenda.

The DTO will deliver a streamlined user experience for individuals and businesses transacting with government by reducing red tape and increasing the efficiency of government service delivery. The Agenda is designed to transform the design and delivery of government services so they are easy to find, simple to use and convenient to access in a safe and secure way.

The DTO will play a strong, central role in implementing the Agenda.

Research advice on digital productivity

KPI achieved:

- > Quality and contribution of research produced by the Department to identify, assess and explain developments in technologies and communications networks and services.

Measuring digital productivity

The Bureau of Communications Research identifies, assesses and explains developments in technologies and communications networks and services, and provides that research advice to the Government. A key project is working to improve how the impact of digitisation on productivity growth in the Australian economy is measured and understood.

Through more thorough data analysis and qualitative and econometric research, this project supports the Department's goal of enhancing digital productivity by creating a more comprehensive evidence base for better-quality policy advice, and improved understanding of the role of digitisation in national productivity. This project will report by the end of 2015.

Improving future planning and priority setting

The Bureau of Communications Research is developing an internal strategic issues framework to improve our understanding of emerging issues and trends in the sector. The framework is both an interactive model and ongoing information gathering and analysis tool that will inform future policy development, strategic planning and research priorities, as well as engage stakeholders in the sector on future developments. It will

significantly enhance our ability to identify, assess and explain developments in the sector and improve the quality of advice we provide to government.

Availability of communications data and statistics

The Bureau of Communications Research has implemented an Analyst Workbench—a big data platform hosted in the cloud that captures and makes readily available key data from across the communications sector. The Analyst Workbench has integrated tools for statistical and analytical analysis to be performed on the data to inform decision making for policy development. The unit continues to work with other areas of government to improve the quality and availability of data and statistical information for the communications sector. Current projects include:

- > A joint review with the Australian Bureau of Statistics to evaluate the usefulness of ICT statistics available to policymakers and investigate ways of improving the relevance, currency and accuracy of data. This review is expected to report in late August 2015.
- > A review of portfolio data collection and reporting arrangements on the Australian Communications and Media Authority (the ACMA) and Australian Competition and Consumer Commission (ACCC) to ensure their efficiency and ongoing relevance, as part of the Government's 2015 Reducing Red Tape programme.

Data policy

KPI achieved:

- > Progress on the increased number of government data sets accessible online.

In collaboration with the Department of Finance, we have increased the number and quality of public sector datasets available through the open data network. We have worked with partner agencies across all levels of government to create a seamless open data network that allows people to 'mashup' datasets: that is provide access to people to re-usable public data, and see what new services or opportunities they can create from them.

With our partner agencies, we released over 2,200 spatially-referenced datasets on the NationalMap, a platform that allows users to mashup or download open government datasets.

In 2014–15, we continued to implement our strategy of identifying and releasing datasets of high value to the economy. We released datasets relating to mobile phone black spots and nationwide water observations from space, as well as 22 new datasets from the Australian Bureau of Statistics.

In collaboration with New York University, we have delivered the Open Data 500 Study. This is the first of a series of engagements with Australian companies and NGOs that use open government data to generate new business, develop new products and services, improve business operations or create social value. By taking part in the study, the Australian Government will gain valuable information about how the private sector uses open data and give Australian organisations

an opportunity to request particular public sector datasets that would be of value to their business if made open.

Economics of open data

The Bureau's Open Data Project critically reviews the economic theories, methodologies, assumptions and quantitative estimates of the economic benefits of open government data. The assessment complements the work being done as part of the Open Data 500 Study and will help develop and improve policies and guidelines on open government data.

National ICT Australia Limited (NICTA)

KPI achieved:

- > NICTA's contribution to the commercialisation of ICT and online innovation and the development of ICT and online research and commercialisation skills.

Funding NICTA

NICTA has been operating since 2002 and has become the largest and most successful dedicated ICT research organisation in Australia. In 2014–15, it received total funding of \$42.8 million under the ICT Centre of Excellence Programme—\$21.4 million from our Department and \$21.4 million from the Australian Research Council. In 2014¹, it generated \$18.4 million in commercial revenue.

At 31 December 2014, NICTA had 328 research and technical staff, as well as 117 professional and administration staff. NICTA produced around a quarter of Australia's ICT PhDs with its 22 partner universities across Australia—294 PhD candidates were sponsored by the ICT Centre of Excellence. It created 109 Australian jobs in 2014, spinning off two new companies and working with major companies to improve their productivity and competitiveness.

NICTA's innovations in computer vision in 2014 included the completion of orientation and mobility trials of two retinal implant patients using a NICTA algorithm suite. This is the most sophisticated result ever reported as being trialled with patients. Another key achievement in computer vision included the development of Deep Track, a tracking algorithm that intelligently locates and keeps track of objects.

Significant contributions in privacy research activities put NICTA at the centre of the world stage during 2014. This included Online Privacy modelling, threats identification and privacy-enhancing technologies, as well as work in measurement and characterisation of large-scale content delivery networks and online social networks.

In optimisation, NICTA has solved a problem that has been open to the artificial intelligence research community for over five years: the complexity of seeding a knockout tournament so that a given team wins.

Two world-first technology start-ups were successfully launched and subsequently acquired by large companies in 2014. Yuruware developed technology that allows

¹ NICTA reports on a calendar-year basis, so performance against KPIs reflects results for the 2014 calendar year.

businesses to protect systems in clouds and Ambiat created a unique platform that allows data analytics based on machine learning algorithms.

In November 2014, German Chancellor Angela Merkel visited NICTA Australian Technology Park in Sydney as part of her G20 mission to Australia. Chancellor Merkel toured the Future Logistics Living Lab and the Digital Productivity Showcase, which focuses on developing secure and reliable software systems.

The Australian Government announced in the 2014–15 Budget it would maintain \$84.9 million in funding for NICTA until 30 June 2016.

The Government is working with NICTA to help identify strategies to secure its ongoing operational viability beyond 30 June 2016 when Commonwealth funding will cease. This includes the possibility of a merger between NICTA and CSIRO to create an Australian ICT research powerhouse.

Digital careers

The Department of Communications is providing \$6 million over four years (2013–14 to 2016–17) to NICTA to deliver the Digital Careers programme, with the support of a consortium of relevant industry associations, state and territory governments, research organisations and education providers.

The programme aims to address Australia's ICT skills shortage and contribute to building a robust and sustainable ICT capability for Australia's digital economy. It supports a national package of education and careers

projects aimed at inspiring students from year five to year ten to study ICT in schools and then continue this interest in years 11 and 12, at university, and into the jobs of the future.

In 2014, the Digital Careers team attended a total of 40 careers fairs, reaching over 200,000 students, parents and teachers. In partnership with the Australian Computing Society Foundation, Digital Careers has developed the ACS Career Wheel, which illustrates the diverse range of technology careers available to ICT professionals.

As part of its business development strategy, the Digital Careers team has engaged with over 90 organisations including tertiary institutions, industry, professional associations, research organisations and state governments. Most of these organisations, for example the Australian Computer Society, the Australian Information Industry Association, Google and IBM support the programme by providing in-kind or cash contributions.

Digital business

KPI achieved:

- > Take-up of, and feedback on, initiatives and projects to maximise productivity benefits from digital services and technologies, including Digital Hubs, Digital Enterprises, Digital Business, Digital Business Kits and Digital Local Government.

digitalbusiness.gov.au

We manage the digitalbusiness.gov.au website, which provides up-to-date practical guidance for Australian small-to-medium businesses (SMEs), not-for-profit (NFPs) organisations

and community groups about how to establish or enhance their online presence. The site is specifically designed for people who are ready to get the most benefit out of the internet for their organisations.

The content on the website covers a broad range of topics including: the benefits of getting online, establishing an online presence, improving productivity with online tools, engaging in e-commerce, e-marketing and social media, online security and legal issues. The content provided uses easy to understand language and aims to increase the digital literacy skills of our audience.

The website also provides practical information including how-to guides, blog posts on latest trends, and video case studies showcasing real world success stories. These case studies provide practical examples of local businesses that are engaging online and achieving success.

The following case studies show the key points in a business cycle where SMEs and NFPs are likely to adopt digital change. The videos aim to inspire other entrepreneurs to take that next step and embed digital into their business.

Lark online retail store specialises in designer homeware and giftware. Lark founders, Alison Jones and Paul Mathews moved from the United Kingdom to Daylesford in Victoria to give their small family an Australian country lifestyle. The possibility of finding corporate jobs in a small town was limited, so they decided to start their own business using their marketing skills and passion for great design.

Visit annualreport.communications.gov.au/2015 to link through to this video.

Otway Artisan Gluten Free Bakery explored options to expand its small business by creating an online presence. Owner and baker Justin Garner embarked on the project with a vision that the new website would be the shopfront of the small bakery and that customers would buy and pay for the product through the site, allowing him to focus on his passion, baking bread.

Visit annualreport.communications.gov.au/2015 to link through to this video.

The Digital Business website has seen steady year-on-year user growth. The focus in 2014–15 included promotional activities to help increase awareness of the website and increase stakeholder engagement. As a result, audience engagement with digitalbusiness.gov.au has continued to grow. The average visits increased by 39 per cent on the previous financial year. These visits resulted in more than 327,317 page views over the year, an increase of 19.63 per cent on the previous year.

Digital Business Kits Programme

Nine industry peak bodies were funded to develop online Digital Business Kits. These provide tailored and industry-specific information resources to help SMEs and NFPs use digital platforms to transition their businesses into the digital age and realise the benefits of high-speed broadband. The industry sectors and peak bodies funded to develop and implement the kits were:

- > Manufacturing—Australian Industry Group
digitalbusinesskits.com.au/

- > Retail—National Retailers' Association
nradigitalkits.com/
- > Healthcare services—The Royal Australian College of General Practitioners
www.racgp.org.au/dbk
- > Hospitality—Restaurant and Catering Australia
rca.asn.au/rca/
- > Construction—Master Electricians Association
digital.masterelectricians.com.au/
- > Professional services—Australian Services Roundtable
professionalservicesonline.com.au/
- > Early childhood education and care—Early Childhood Australia
www.earlychildhoodaustralia.org.au/our-work/digital-business-kit/
- > Community and social services—Australian Council of Social Services
www.improveit.org/understandit
- > Arts, recreation and education services—Australian Communications Consumer Action Network
www.digitalready.org.au/home

Each kit is hosted on the relevant industry website and contains a series of modules on various subjects. These modules take many forms including video case studies, step-by-step tutorials, interactive webinars, blogs and printed resource materials. Each of the nine kits went live during 2014. Since then the kits have reported a significant increase in unique users to their websites.

Digital Hubs

The Digital Hubs Programme ended on 30 June 2015. Operating in 40 communities since 2012, it had provided a place where people could go to get help to improve their digital literacy skills by attending free group training, or seeking one-on-one assistance.

Qualified trainers worked in the Digital Hubs to provide practical advice and demonstrate new technology enhanced by high-speed broadband, for people of all skill levels and experience. Participants provided very positive feedback through an online evaluation form. Over 93 per cent told us they were satisfied with the standard of training and that the content was useful.

In total, the Programme delivered over 73,000 group and individual training sessions to almost 140,000 participants from Digital Hubs located typically in public libraries, community centres and educational institutions. Even after the Programme ended, Digital Hubs will have a lasting impact as nearly 30 of the funded service providers have incorporated the Digital Hub into the core business of their organisation or have engaged enthusiastic volunteers to continue this work.

Digital Local Government

The Digital Local Government Programme ended on 30 June 2015. Grant funding was provided to 47 local councils to develop and deliver online services to homes and businesses. Councils have been busy implementing technology that has seen improved delivery of health services, disaster management, 3D modelling and mapping, development applications, and high-definition videoconferencing.

Feedback from users of these improved services has been very positive:

'Thanks to the staff trainer, I even managed to change the "presenter" so another person could share the document! We all thought it was FAB, especially since it saved 4 hours of travel time. Thanks so much for your help and patience.'

'I just wanted to say how excellent Blue Jeans is—the clarity of vision and audio is far superior to any Skype sessions that I have experienced to date. It seemed very reliable and I think it will give me and others far more confidence to think seriously about holding electronic meetings in the future. Congrats to the IT team for introducing this and thanks again for assisting with the set-up of the system.'

Digital Enterprise

The Digital Enterprise Programme will enter its fifth and final year in 2015–16. Through a combination of over 13,000 group training sessions and dedicated mentoring sessions carried out in an organisation's place of business, nearly 42,000 participants have been helped to increase their digital knowledge and skills. This has translated into organisational improvements, behavioural change and an increased understanding of the economic benefits of doing more online.

Small businesses have been learning to improve their online presence and competitiveness, offer new products and services, expand their market and increase the ways they communicate with customers and suppliers. The Programme is also helping not-for-profit organisations deliver services online, carry out online fundraising and awareness activities, and achieve administrative efficiencies using online tools.

The Programme is making a difference with over 96 per cent of participants finding the training useful and easy to understand, and over 87 per cent intending to improve their online presence and activity.

Watch the Melville Digital Enterprise Programme video to see how the Fremantle Chamber of Commerce helped organisations in the community increase their online skills and capability, and improve their businesses.

Visit annualreport.communications.gov.au/2015 to link through to this video.

CASE STUDY



Open data could drive innovation in digital economy

A key achievement for the Department of Communications this year was the launch of the highly acclaimed open data project, the NationalMap. A joint initiative with NICTA and Geoscience Australia, the NationalMap is the first open source, open data and whole-of-government platform in Australia.

By allowing members of the public to access and re-use government information, it is expected the NationalMap will drive innovation and unlock economic and social benefits.

Designed as a visual tool for open government data, NationalMap provides access to authoritative and other spatial data held by all levels of government in Australia—from local to Commonwealth.

By overlaying different types of data, the platform helps with evidence-based decision-making. For example, the fusion of population, electrical grid, energy supply and environmental information has enabled evidence-based decision making when planning new energy projects in Northern Australia.

The NationalMap has over 2,000 available datasets that cover topics such as society, economy, land use, environment and communications. It pulls data from a wide range of sources such as data.gov.au, the central location for government data.

This initiative was successful thanks to innovative cross-agency collaboration. The open-source software was developed by NICTA, while our Department and Geoscience Australia designed functionality and user requirements.

The fact this project was open source, used open standards and open data has already had spinoff benefits. Not only has it facilitated the more efficient use of valuable open government data, it has led to several new businesses starting up in the private sector, and seen new applications created.

**Visit annualreport.communications.gov.au/2015
to view the online version of this case study.**

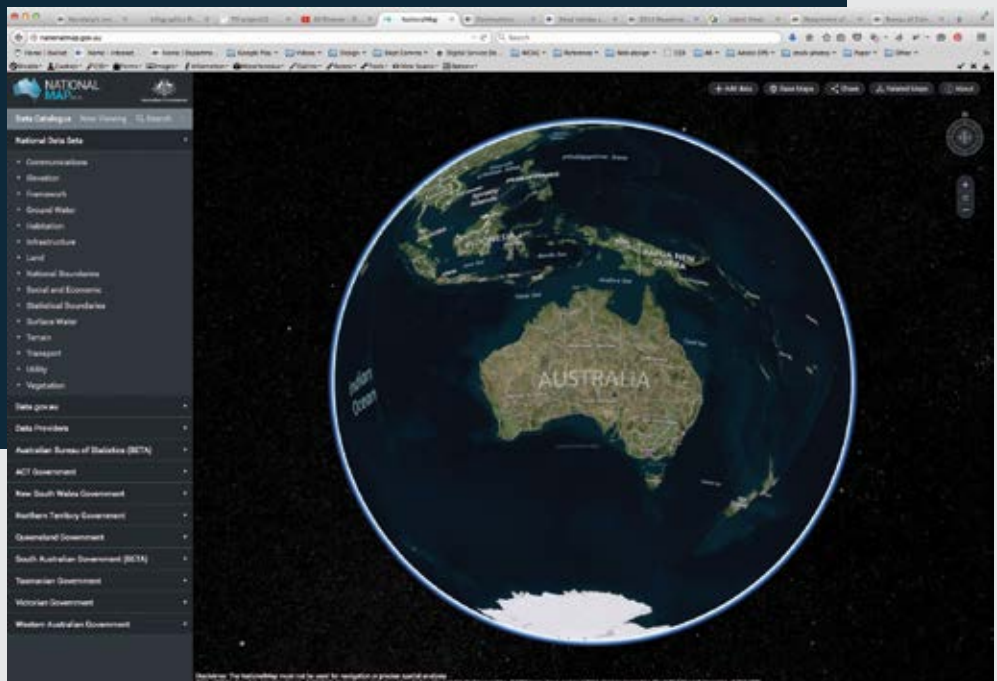
The NationalMap demonstrates successful use of agile project management practices of flexibility, risk management and iterative development. Findings from user experience testing throughout the development of the NationalMap were adapted into useability and conceptual improvements.

The challenge remains to inform stakeholders of the benefits of visualising open government data to innovate and achieve economic and social outcomes. However, the growing use of the NationalMap is encouraging the publication of high-value public datasets with an emphasis on quality over quantity.

The NationalMap is just one example of the Australian Government's commitment to its open data policy.

nationalmap.gov.au

Visit annualreport.communications.gov.au/2015
to view the online version of this case study.



Expanding digital infrastructure

PBS and PAES 2014–15 Deliverables and Key Performance Indicators

Deliverables

- > Strategic advice and policy leadership to achieve the Government's plan for a fast and affordable National Broadband Network, including advice on implementation of the National Broadband Network initiative and support for the Minister for Communications in his role as Shareholder Minister of NBN Co.
- > Implementation of, monitoring of and improvements to the regulatory framework for the National Broadband Network, including regulations applying to NBN Co operations and Telstra's Structural Separation and Migration Plan.
- > Work with NBN Co and industry to ensure consumers and small business receive useful information about the rollout of the National Broadband Network.
- > Advice on investment in, and access to, communications infrastructure and on infrastructure resilience and security.
- > Development and implementation of the Mobile Black Spot Programme to expand reliable mobile phone coverage and competition in outer metropolitan, regional and remote communities.
- > Provision of 250 to 300 new or upgraded mobile base stations nationally under the Mobile Black Spot Programme.
- > Reviewing the current spectrum policy arrangements to ease the compliance burden on users and improve accessibility for new technologies.
- > Management of funding agreements with commercial broadcasters to assist in moving their electronic news gathering functions to alternate radiofrequency bands, to free up 2.5 gigahertz spectrum.
- > Collaboration across government, industry, research institutions and the community to develop policies that deliver more efficient, trusted and secure enabling digital infrastructure.
- > Policy advice on Australia's radiofrequency spectrum assets in the interests of Australian consumers and the economy, while providing certainty to communications infrastructure providers encompassing fixed-line, mobile and broadcasting service providers.

Key Performance Indicator	Result
High-quality, strategic and timely policy advice on: investment in, and access to, communications infrastructure deployment of communications infrastructure including the implementation of the National Broadband Network.	Achieved We took part in and provided advice to the Government on the commercial negotiations to amend the Definitive Agreements between NBN Co and Telstra, and Optus, to allow NBN Co to progressively acquire parts of Telstra's copper and hybrid-fibre coaxial (HFC) cable networks, and Optus' HFC network. We developed and consulted on changes to carrier powers and immunities to support the rollout of new infrastructure, including the National Broadband Network.
Successful policy leadership and advice on monitoring of, and information about, expanding digital infrastructure including the National Broadband Network rollout and improved mobile coverage in regional Australia.	Achieved We supported the Minister in his role as joint Shareholder Minister of NBN Co by providing advice on governance and oversight matters. In particular, we advised the Minister on risks and issues associated with implementation of the network. We also supported the Vertigan Review panel and the development and implementation of the Government's Telecommunications Regulatory and Structural Reform response, and its Telecommunications in New Developments Policy. We reviewed the spectrum policy and management framework.
The Mobile Black Spot Programme will receive significant co-contributions from industry, state and territory governments, local councils and third parties and facilitate competition in the provision of mobile services in outer metropolitan, regional and remote communities.	Achieved On 25 June 2015, the Government announced it would fund 499 new or upgraded mobile base stations through the programme for a total investment of \$385 million. \$275 million in co-contributions were secured from Telstra, Vodafone, state and local governments, as well as other third parties.

Key Performance Indicator	Result
Successful leadership and collaboration across government, industry, research institutions and the community to develop policies that deliver more efficient, trusted and secure enabling digital infrastructure.	<p>Achieved</p> <p>We worked with the Attorney-General's Department to develop the Telecommunications Sector Security Reforms, which are designed to better protect Australia's telecommunications networks. More generally, we worked with industry and other stakeholders on policy and regulatory changes in areas such as wholesale/retail competition, service migration and powers and immunities.</p>
Successful completion of the restack of national and commercial digital television channels across Australia and advice on further opportunities for making spectrum available for new services.	<p>Achieved</p> <p>Announced in June 2010, the ambitious Restack Programme committed our Department to achieve a digital dividend of 126 megahertz (MHz) of 700 MHz band spectrum—including Ultra High Frequency television channels 52–69 by 31 December 2014. The necessary TV channel changes were successfully completed six weeks ahead of schedule.</p>

Significant activities and achievements in 2014–15

National Broadband Network

KPIs achieved:

- > High-quality, strategic and timely policy advice on:
 - investment in, and access to, communications infrastructure
 - deployment of communications infrastructure including the implementation of the National Broadband Network.
 - Successful policy leadership and advice on monitoring of, and information about, expanding digital infrastructure including the National Broadband Network rollout and improved mobile coverage in regional Australia.

During 2014–15, we provided advice on policy, regulatory and rollout issues associated with the National Broadband Network to the Minister and the Parliamentary Secretary.

We took part in the commercial negotiations to amend the Definitive Agreements between NBN Co and Telstra, the Commonwealth Agreements between Telstra and the Commonwealth, as well as commercial agreements between NBN Co and Optus. These amendments were needed to accommodate the multi-technology mix, including allowing NBN Co to progressively acquire parts of Telstra's copper and hybrid-fibre coaxial (HFC) cable networks, as well as Optus' HFC network. We advised the Government on the amendments, which were signed on 14 December 2014. The amendments to the agreements with Telstra came into effect on 26 June 2015; the

amended agreements with Optus will come into effect after all conditions precedent have been satisfied.

We worked closely with NBN Co to help it make substantial progress in transforming the company and carrying out the planning and design work needed to deploy the network using the multi-technology mix model. We worked with it to develop a strategic approach so that different geographic areas can utilise technologies in a way that minimises peak funding, optimises economic returns and enhances the viability of the network.

We also supported the Minister in his role as joint Shareholder Minister of NBN Co by providing advice on governance and oversight of company matters. This included advising him on NBN Co's corporate planning information, progress reports, transparency measures and notification by NBN Co of significant decisions and issues. In particular, we advised the Minister on risks and issues associated with implementation of the new network.

During 2014–15, the Department provided \$4.767 billion in equity funding to NBN Co on behalf of the Government.

National Broadband Network regulatory framework

We provided support to a government appointed panel of experts working to finalise the Independent Cost-Benefit Analysis of Broadband and Review of Regulation (Vertigan Review). The Review assessed the economic and social costs and benefits of faster broadband delivered using different technologies. It also examined and made

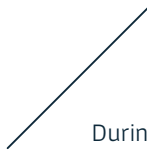
recommendations on the future structure and regulation of the telecommunications sector. The panel published three reports:

- > Statutory Review of Part XIC of the *Competition and Consumer Act 2010* tabled in both houses of parliament 16 July 2014
- > Independent Cost-Benefit Analysis of Broadband released 27 August 2014
- > NBN Market and Regulatory Review released 1 October 2014.

Telecommunications regulatory and structural reform

We provided advice to the Government on the recommendations of the Independent Cost-Benefit Analysis of Broadband and Review of Regulation and helped it develop its response, detailed in the Telecommunications Regulatory and Structural Reform policy statement.

Released in December 2014, the statement set out a practical plan for completing the rollout of Australia's new high-speed broadband network as soon and cost-effectively as possible, while providing a long-term strategy for supporting more effective competition in the telecommunications sector.



During 2014–15, the Department provided \$4.767 billion in equity funding to NBN Co on behalf of the Government.

Superfast networks carrier licence condition

As part of these reforms we developed a new carrier licence condition for owners of superfast networks targeting residential customers. The new condition, which was made by the Minister in December 2014, requires affected carriers to offer wholesale services on a non-discriminatory basis and to separate their wholesale and retail businesses. It is designed to support fairer and more effective retail competition by ensuring competing service providers can access new residential broadband networks and provide alternatives.

New developments

We supported the Minister to develop and release in April 2015 a new policy to provide telecommunications infrastructure in new developments. We publicly consulted on a draft policy and took part in a range of discussions with the Minister and key stakeholders, which included developers, developer associations, NBN Co, Telstra and state and territory government representatives. We are moving ahead with measures to support the policy, including new carrier licence conditions to deliver minimum standards for telecommunications in new developments and a website to map new developments and the carriers serving them. We also continued monitoring the activities and performance of NBN Co and other providers in new developments.

Electromagnetic energy emissions

We continued to work closely with the Australian Radiation Protection and Nuclear Safety Agency, the Australian Communication and Media Authority, and industry to address community concerns about exposure to electromagnetic energy emissions from radiocommunications facilities such as mobile phone base stations, wi-fi and mobile phones. We developed and released a video animation and two fact sheets to better inform the community on the steps the Government is taking to keep Australians safe when it comes to these emissions.

Carrier powers and immunities

We developed amendments to carrier powers and immunities so NBN Co and other carriers can rollout fibre-to-the-basement technology and trial HFC to provide faster broadband in designated pilot areas for 12 months. In June 2015, we started consulting on further amendments to telecommunications carriers' powers and immunities to support the rollout of high-speed broadband, including by NBN Co.

Ensuring powers and immunities cover all fast broadband technologies can significantly speed up rollouts and reduce the cost to carriers and the community. We also published a fact sheet to help building owners make informed choices about carriers wanting to use powers and immunities to install next-generation broadband systems in their multi-unit buildings.

Migration to the National Broadband Network

Along with NBN Co, we continued to work with Telstra and key industry bodies and stakeholders to better manage migration to the National Broadband Network. As part of this work we developed a Migration Assurance Policy Framework to improve the process and make sure consumers understand what they need to do, as well as the roles and responsibilities of all parties involved. As part of this framework, the Communications Alliance created a new working group to develop an industry migration guideline. Other outcomes included:

- > Telstra and NBN Co developed new disconnection arrangements that provide more clarity to industry about the migration process.
- > We helped the Minister develop two new regulatory instruments that set out matters that can be included in the migration plan. These are the Telecommunications (Migration Plan Principles) Determination 2015 and the Telecommunications (Specified Matters Instrument) 2015.
- > We continued to manage issues that may affect service continuity in the transition to the National Broadband Network and the structural separation of fixed line services through an established governance framework.
- > We liaised with NBN Co to develop and implement effective information sources about the switchover of telecommunications services to the National Broadband Network, namely the Public Information on Migration campaign.

Other activities

- > We continued to monitor how well the high capacity transmission infrastructure delivered under the Regional Backbone Black Spots Programme is working. NBN Co and others use this to supply telecommunication services to both business and consumers.
- > We responded to ministerial correspondence and other enquiries relating to migration and disconnection arrangements, new developments, infrastructure installation, telecommunications competition, access to broadband and electromagnetic radiation.
- > We supported the Parliamentary Secretary to create the Distance Education and Broadband Working Group. It will identify current and forecast broadband requirements of distance education students, existing gaps in supply, and implications for the delivery of NBN Co's long-term satellite service.

Security

KPIs achieved:

- > Successful leadership and collaboration across government, industry, research institutions and the community to develop policies that deliver more efficient, trusted and secure enabling digital infrastructure.
- > Advice on investment in, and access to, communications infrastructure and on infrastructure resilience and security.

Integrated Public Number Database

In 2014–15, we completed a review of the Integrated Public Number Database (IPND) and released a report of its findings.

The report follows a study into the effectiveness and continued need for the IPND, in light of changes to telecommunications technology. Recommendations for the future operation of the database were provided, which can be broadly grouped into the key areas of:

- > enhancing data quality and accuracy
- > improved access
- > greater transparency of governance arrangements.

Section 313 inquiry

We contributed to the inquiry by the House of Representatives' Standing Committee on Infrastructure and Communications into the use of subsection 313(3) of the *Telecommunications Act 1997* by government agencies to disrupt illegal online services.

In September 2014, we made a submission to the inquiry where we proposed whole-of-government guidelines should be developed to improve transparency and accountability around the use of section 313 to disrupt access to illegal online services. We also appeared before the inquiry.

On 1 June 2015, the Standing Committee tabled its report in which it agreed with our proposal: the Government is expected to respond during 2015–16.

Telecommunications Sector Security Reforms

During 2014–15, we worked with the Attorney-General's Department to develop the Telecommunications Sector Security Reforms (TSSR), which are designed to better protect Australia's telecommunications networks by strengthening our ability to manage national security risks to them.

On 26 June 2015, the Minister and the Attorney-General announced the proposed TSSR reforms. The Government has sought public comment on the draft legislation before its expected introduction into Parliament in late 2015.

Mandatory data retention

We worked with the Attorney-General's Department on the development and passage of the Government's mandatory data retention legislation, which received Royal Assent on 13 April 2015. The legislation requires telecommunications service providers to retain specific telecommunications data for two years. This will ensure that Australia's law enforcement and security agencies continue to have lawful access to data, subject to strict controls.

Mobile phone black spots

KPI achieved:

- > The Mobile Black Spot Programme will receive significant co-contributions from industry, state and territory governments, local councils and third parties and facilitate competition in the provision of mobile services in outer metropolitan, regional and remote communities.

From December 2013 to August 2014, we carried out a comprehensive consultation process to canvas stakeholders on the design of the Programme. We received nominations for over 6,000 mobile black spot locations, which were included on a database that was provided to the mobile network operators and other potential applicants to help them prepare their funding bids. On 8 December 2014, the Government released the Programme Guidelines. Applications for funding closed on 16 April 2015.

When the Programme Guidelines were released, the Government announced it expected the Commonwealth's \$100 million investment to leverage an additional \$100 million from applicants as well as state and local governments and other third parties. We anticipated the Programme would deliver 250–300 mobile base stations nationally, depending on the level of cocontributions received.

On 25 June 2015, the Minister and the Parliamentary Secretary announced the successful applicants and locations to be funded under the Programme. At this time, the Government also announced a second round of the programme with a separate funding allocation of \$60 million to start in June 2016.

For Round 1, the Commonwealth will partner with Telstra and Vodafone Hutchison Australia to provide 499 new and upgraded mobile base stations. These will provide new handheld coverage to 68,600 square kilometres and new external antenna coverage to over 150,000 square kilometres, and over 5,700 kilometres of major transport routes will receive new handheld or external antenna coverage.

The Programme generated over \$185 million in co-contributions from the successful applicants, more than \$87 million from five state governments and \$1.7 million from local governments, businesses and community organisations. The number of base stations that will be funded significantly exceeded our expectations. The first base stations funded under round 1 of the Programme are expected to begin rolling out in the second half of 2015.

As part of its proposal for the Programme, Telstra will also deploy 200 4G mini base stations in small towns around Australia where

suitable infrastructure is available, with these to be mutually agreed between Telstra and the Government. These mini base stations will provide mobile data coverage in a radius of around 200–300 metres and will support voice services as the technology for 4G-based voice becomes available. We expect to agree on the locations for the stations with Telstra during the second half of 2015, with their rollout to start soon after.

A competitive selection process for round 2 is expected to start in 2016, after allowing time for further locations to be nominated by members of the public, and a review of round 1. Locations of mobile base stations to be funded under round 2 are expected to be announced by the end of 2016.

Spectrum

KPI achieved:

- > Successful completion of the restack of national and commercial digital television channels across Australia and advice on further opportunities for making spectrum available for new services.

Spectrum management

In 2014–15, our advice to the Government on radio frequency spectrum matters focused on the following issues:

- > Delivering the first phase of a review of the spectrum policy and management framework (Spectrum Review), and a review report to the Minister.

- > Completing the digital dividend restack and associated release of the digital dividend spectrum.
- > Reissuing expiring 15-year spectrum licences to provide continued access for mobile phone and wireless broadband services in Australia.
- > Making available more 1,800 MHz band spectrum to support improved mobile broadband services in regional Australia.
- > Facilitating access to radiofrequency spectrum for NBN fixed wireless services.

During 2014–15, the Department, in conjunction with the Australian Communications and Media Authority (the ACMA), finished the first phase of the Spectrum Review. This was carried out in close consultation with stakeholders and included the release of two discussion papers for comment (an issues paper in May 2014 and a potential directions paper in November 2014), as well as a stakeholder workshop in January 2015. The Review reported to the Minister in March 2015 and was publicly released on 22 May 2015.

The three key recommendations of the Review were:

- > Replace the current legislative framework with outcomes focused legislation that facilitates timely allocations, greater flexibility of use (including through sharing and trading of spectrum), and delivers improved certainty for market participants.
- > Improve the integrity and consistency of the framework by incorporating the management of broadcasting spectrum, better integrating public sector agencies through the reporting of their spectrum

Throughout 2014–15, we worked closely with the ACMA to make more spectrum available and improve mobile broadband services for regional Australia.

holdings, and allowing those agencies to lease, sell or share that spectrum for their own benefit.

- > Review spectrum-pricing arrangements to make these consistent and transparent in order to support efficient use and to facilitate secondary markets.

Throughout 2014–15, we worked on issues related to the future allocation of spectrum licences for unsold lots from the Digital Dividend Auction that was held in April/May 2013. This work will continue into 2015–16. The restack of broadcasting services out of the digital dividend spectrum was completed in November 2014.

Throughout 2014–15, we worked closely with the ACMA to make more spectrum available and improve mobile broadband services for regional Australia. This work will continue into 2015–16 and culminate in an auction of regional 1,800 MHz spectrum in November 2015.

The NBN Fixed Wireless and Satellite Review found NBN Co has a spectrum gap in the urban fringe zone around Canberra and the five mainland state capital cities. In October 2014, the Minister issued the Australian

Communications and Media Authority (3.5 GHz frequency band) Direction 2014. This required the ACMA to carry out all steps needed to allow it to issue apparatus licences for the 3.5 gigahertz (GHz) band by 30 April 2015.

Electronic news gathering

In April 2013, the ACMA auctioned spectrum in the 2.5 GHz band for new telecommunications services as part of the Digital Dividend Auction. In Australia, the 2.5 GHz band refers to the spectrum between 2,500 MHz and 2,690 MHz, and was licensed almost exclusively for electronic news gathering (ENG) services by commercial and national broadcasters (that is, live broadcasting of events in the field by these broadcasters).

New spectrum has been made available to broadcasters for these services. In the 2012–13 Budget, a grants programme was announced to help those commercial broadcasters move their ENG operations out of the affected 2.5 GHz spectrum.

Funding is provided through agreements with Seven Network (Operations) Limited, Nine Network Australia Pty Ltd and Network Ten Pty Ltd. Total funding to the commercial broadcasters for ENG equipment will be \$39.5 million. A total of \$15.4 million was paid to the commercial broadcasters in 2013–14 following an initial payment of \$15.0 million to these broadcasters in 2012–13.

In 2014–15, the remaining appropriation of \$9.1 million under the programme was fully disbursed. The programme's activity period ends on 31 January 2016, with the networks vacating the affected spectrum in and around Perth. No further payments are provided for this purpose.

Restack Programme

The Restack Programme provided support to broadcasters to relocate television services out of UHF channels 52 to 69 in order to clear the 'digital dividend' of 700 MHz spectrum for mobile services.

Under the Programme, 1,476 free-to-air digital television services were relocated. This was nine more than the number specified in the performance indicator of 1,467, due to the fact more services needed to be moved than originally anticipated. The vacated spectrum was ready to be used for new mobile and wireless broadband services from 1 January 2015.

Relocating the services affected equipment at 426 transmission sites across Australia, which was either retuned, modified or replaced to enable the frequency changes. The final site at Gunning NSW was completed on 20 November 2014, six weeks in advance of the 31 December 2014 deadline.

The Restack Programme was supported by the retune communications campaign, which advised 20.4 million viewers how to successfully retune their televisions on or after their allocated retune day.

During the campaign, 94,713 calls were answered by the retune support call centre, over two million visitors went to the retune website and 283,486 viewers used the subscription service to be sent an email or SMS reminder on their retune day.

CASE STUDY

Department supports ground-breaking review

Deploying the National Broadband Network through a multi-technology mix—a combination of fibre to the premises, fibre to the node, hybrid-fibre coaxial, fixed wireless and satellite technologies—provides \$18 billion in benefits to the community and the economy. This was the key finding of a cost-benefit analysis report released in 2014–15 after a year-long industry review by a panel of experts.

Commissioned by the Department in December 2013, the panel was headed by Dr Michael Vertigan AC and tasked with carrying out an independent cost-benefit analysis of the National Broadband Network. It used innovative analytical techniques to examine the costs and benefits of different approaches to providing fast broadband in Australia, and these provided valuable insights.

The panel considered preferences and potential future demand for high-speed broadband throughout the country, and estimated how willing consumers would be to pay for increased broadband speeds. The panel also looked at the future competition in the telecommunications sector and the structural and regulatory framework for it.

In total, the panel made 53 recommendations and provided three reports to the Government:

- > A statutory review of Part XIC of the *Competition and Consumer Act 2010*, which sets out how telecommunications providers can make use of each other's networks.
- > A cost-benefit analysis report, which compared the costs and benefits of alternative options for delivering high-speed broadband to Australian households and businesses.
- > A review examining the most appropriate overall structure and regulatory framework for Australia's future broadband market.



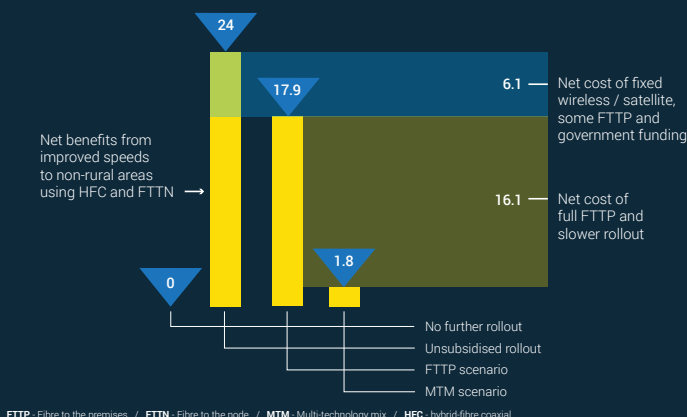
We supported the panel in carrying out its review and helped it prepare and release its reports. We then helped the Government prepare its response, which was set out in its Telecommunications Regulatory and Structural Reform statement of December 2014. The statement set out a practical plan for completing the rollout of Australia's new broadband network as soon and cost-effectively as possible, while also outlining the long-term strategy for supporting greater competition in the telecommunications sector.

Key measures in the statement included:

- > Requiring new high-speed fixed-line broadband networks serving residential customers to be structurally separated or functionally separated.
- > Implementing a competitively neutral industry contribution mechanism for funding non-commercial National Broadband Network services.
- > Accounting and systems separation arrangements to allow for the future break-up of NBN Co into competing business units if it is considered appropriate in the long term.
- > Managing interference and co-existence between competing Very-High-Bit-Rate Digital Subscriber Line 2 systems to optimise competition and performance.
- > Legislating Infrastructure Provider of Last Resort obligations for NBN Co.

The Department is progressing with the agreed initiatives so reforms can be fully implemented by 1 January 2017.

Net benefits relative to no further rollout (\$billion, present value)



Visit annualreport.communications.gov.au/2015 to view the online version of this case study.

Promote efficient communications markets

PBS and PAES 2014–15 Deliverables and Key Performance Indicators

Deliverables

- > Support the Minister on ABC and SBS policy and funding matters, the transmission of ABC and SBS services and on ABC and SBS board appointments.
 - > Provision of Community Broadcasting Programme funding to assist community broadcasters, including with the delivery of community radio services.
 - > Advice to the Minister on appropriate consumer safeguards relating to the provision of content and communications services.
 - > Advice to the Minister on the production and provision of content, including media diversity and ownership.
 - > In consultation with stakeholders, assess the extent to which the current regulatory frameworks operating in the communications, broadcasting and media sectors remain appropriate, particularly given technological changes.
 - > Supporting consumer interests and protection against harm through policy advice and:
 - funding for the Australian Communications Consumer Action Network through the Consumer Representation Grants Programme.
 - advice on cybersecurity initiatives to inform and educate Australian consumers and small businesses about managing the risk of financial fraud and loss of personal information online.
 - > Establishment of the Office of the Children's e-Safety Commissioner (the Commissioner).
 - > Establishment of, and support for, the Ministerial Advisory Council on Communications, which is tasked with providing advice on deregulation options across the Portfolio.
 - > Advice on the postal sector and protection of the Australian Government's interest as a shareholder of Australia Post.
-

Key Performance Indicator

Result

High-quality, strategic and timely advice on necessary market settings to promote competition, while ensuring access to basic services, making available socially valuable content, and safeguarding consumers from inappropriate content.

Achieved

We provided strategic and timely advice to the Minister on media policy, including ownership and control, and anti-siphoning. We supported deregulation across the communications and media environment. We also developed a framework for significant reform of Australia Post. We advised on possible implications for the communications sector, of recommendations in the Harper Review.

Effective regulatory frameworks for, and information about open, competitive and efficient communications markets, consumer interests, and online safety and security.

Achieved

We supported reforms to broadcasting and telecommunications consumer regulatory frameworks; to help businesses more effectively serve their customers. We supported the development and establishment of the Children's e-Safety Commissioner function, and delivered the free Stay Smart Online Alert Service, which sends email and social media messages to more than 21,000 subscribers and 9,300 Facebook followers about current threats. The Parliament amended the registration period on the Do Not Call Register from eight years to an indefinite period.

Contribution to the broad objective that all Australians have access to a range of free-to-air and subscription television and radio services, through effective policy and effectively administered funding.

Achieved

We provided policy advice in relation to the ABC and SBS, including implementation of the Efficiency Study, options for procurement of transmission services, and Board appointments. We published a paper on the future regulation of digital television that looked at possible reforms and streamlining in the context of a rapidly changing communications environment and the Government's commitment to deregulation. We continued support for community broadcasting through the Community Broadcasting Foundation grant.

Key Performance Indicator	Result
<p>Regular, timely collaboration and engagement on portfolio deregulation options, through the effective establishment and support for the Ministerial Advisory Council on Communications.</p>	<p>Achieved</p> <p>The Ministerial Advisory Council on Communications met on 7 March 2014. Members welcomed the Government's move to free business from the burden of unnecessary and duplicative regulation, and discussed how industry and government working together can provide greater leadership for Australian innovation, particularly in the digital domain.</p> <p>The Minister and Parliamentary Secretary have continued to consult with members of the Advisory Council on deregulatory measures since the March meeting.</p>
<p>Office of the Children's e-Safety Commissioner is established to promote a coordinated approach to online safety of children.</p>	<p>Achieved</p> <p>On 24 March 2015, the <i>Enhancing Online Safety for Children Act 2015</i> was enacted. It established the Children's e-Safety Commissioner as an independent statutory office to take a national leadership role in online safety for children from 1 July 2015.</p>

Significant activities and achievements in 2014–15

Postal services

KPI achieved:

- > High-quality, strategic and timely advice on necessary market settings to promote competition, while ensuring access to basic services, making available socially valuable content, and safeguarding consumers from inappropriate content.

Australia Post reports independently of the Department. The Minister is a joint Shareholder Minister responsible for the oversight of Australia Post along with the Minister for Finance. In 2014–15, we provided advice to the Minister on Australia Post's activities, operations, postal reform and future priorities.

We continue to work with Australia Post to make sure it is able to provide a postal service that efficiently meets the changing expectations of the Australian community.

Postal reform

More and more Australians are opting to communicate via digital options such as email, social networking and SMS rather than letters. Businesses and governments are increasingly interacting with their customers this way as well. This represents a fundamental shift in community expectations about the value of letters and the postal service's role in facilitating social and commercial communications.

As a result, Australia Post's domestic reserved letter volumes have declined by over one billion letters since they peaked in 2007–08. In 2014–15, the volume of ordinary mail declined by more than 10 per cent, placing Australia Post under significant financial pressure. Meanwhile substantial losses in its regulated mail business are threatening the overall financial viability of the corporation.

To address this, on 3 March 2015 the Minister for Communications and the Minister for Finance jointly announced reforms to help Australia Post remain viable. The announcement included a short YouTube clip and a Tech Talk with the Managing Director from The Boston Consulting Group on the need for reform. We supported the Minister in developing and announcing the reform initiatives, including working with Australia Post and other government agencies.

The reforms involve regulatory changes to allow Australia Post to introduce a two-speed letter service comprising regular and priority services. Australia Post is expected to introduce the two-speed letter service in early 2016.

Under the priority service, mail will be delivered to the existing letters delivery timeframes and regular mail will be delivered on average two days slower than the current timeframes. Both services will be delivered five days per week to 98 per cent of addresses. Regular mail will be regulated by a community service obligation, and will also be subject to pricing oversight by the Australian Competition and Consumer Commission.

The reforms will not affect Australia Post's other regulatory obligations such as the number of postal outlets (including licensed post offices) or street posting boxes.

Senate Committee inquiry into Australia Post and licensed post offices

On 14 November 2013, the Senate referred the issue of Australia Post's performance in communities and its operations in relation to licensed post offices to the Environment and Communications Legislation Committee for inquiry and report. On 24 September 2014, the Committee released its final report.

In response to the Committee's findings, Australia Post has announced a series of measures to enhance the sustainability of the post office network. We supported the Government to develop its response, which included consulting with Australia Post.

Media services

KPIs achieved:

- > Promoting efficient communications markets
 - High quality, strategic and timely advice on necessary market settings to promote competition, while ensuring access to basic services, making available socially valuable content, and safeguarding consumers from inappropriate content.
 - Effective regulatory frameworks for, and information about open, competitive and efficient communications markets, consumer interests, and online safety and security.

- Contribution to the broad objective that all Australians have access to a range of free-to-air and subscription television and radio services, through effective policy and effectively administered funding.

Media policy

In 2014–15, we provided advice to the Minister on a wide range of broadcasting issues, including:

- > developments in commercial, community and national radio and television sectors, and subscription television
- > compliance with relevant codes
- > ownership and control changes and anti-siphoning rules
- > introduction of new digital broadcasting technologies
- > general operation of broadcasting regulatory frameworks.

Consistent with the Government's deregulation agenda, in 2014–15 we provided the Minister with advice on options to reduce the regulatory burden on the broadcasting industry. This resulted in deregulatory measures being included in the *Broadcasting and Other Legislation Amendment (Deregulation) Act 2015* to:

- > Remove or amend provisions related to digital switchover and the Restack Programme.
- > Streamline the ACMA's broadcasting spectrum-planning powers.
- > Streamline broadcasters' control and ownership reporting obligations.

- > Reduce administrative costs and enhance flexibility for free-to-air and subscription television broadcasters in meeting their captioning obligations.
- > Remove the need for subscription broadcasters to have their new eligible drama expenditure reports independently audited.
- > Remove redundant and unnecessary legislation.

We published a paper on the future regulation of digital television that examined the current television regulatory framework in the context of a rapidly changing communications environment and the Government's commitment to deregulation. The paper focused specifically on matters such as the availability and flexibility of television broadcasting services, the technical evolution of broadcasting and the use of broadcasting spectrum.

We provided a report to the Minister on digital radio issues, including trends in the use of digital radio and alternative technologies. The report also considered the arrangements required to facilitate the rollout of digital radio in regional areas. The report was tabled in Parliament in July 2015.

In consultation with the ABC and SBS, we provided advice to the Minister on the implementation of the findings of the ABC and SBS Efficiency Study. Based on the Study's findings, we consulted with the broadcasters on options to, among other things, modernise their business models, outsource administrative functions, divest surplus assets as well as achieve greater cooperation between the ABC and SBS. The study has assisted the broadcasters identify efficiencies to their 'back

of house' functions without impacting on their programmes or other content. Building on this work the Government reduced funding to the national broadcasters by \$308 million over five years from 2014–15.

We provided assistance to the independent Nomination Panel for ABC and SBS Board appointments with the selection process completed in 2014 for the SBS Chairperson, one Non-executive Director for the SBS Board, and one Non-executive Director for the ABC Board. The Governor-General subsequently appointed Mr Nihal Gupta as SBS Chairperson, Mr Peeyush Gupta to the SBS Board and Mr Peter Lewis to the ABC Board on the recommendations of the Government. We also helped the Panel start a selection process in May 2015 for two Non-executive Directors for the ABC Board.

We conducted an investigation on the context and decisions regarding the appearance of Mr Zaky Mallah on the ABC's Q&A programme on 22 June 2015. The investigation report was provided to the Minister on 1 July 2015 and a summary of that report was published on 3 July 2015.

In September 2014, the Minister announced that community television broadcasters in the five mainland state capitals would need to transition to online-only delivery. To facilitate this transition, access to broadcast spectrum for those community television broadcasters was extended to 31 December 2015. We have provided assistance to the Minister and the community television industry to help with the transition. This included amending the Community Broadcasting Programme funding to provide \$450,000 in transition funding for the affected community television broadcasters.

Online safety

KPI achieved:

- > Office of the Children's e-Safety Commissioner is established to promote a coordinated approach to online safety of children.

On 24 March 2015, the *Enhancing Online Safety for Children Act 2015* came into effect. It established the Children's e-Safety Commissioner as an independent statutory office to take a national leadership role in online safety for children from 1 July 2015.

The legislation was developed following substantial public and stakeholder consultation. This included considering more than 80 submissions received in response to the public discussion paper 'Enhancing Online Safety for Children' released in January 2014.

We provided advice to the Government, prepared and consulted on the regulation impact statement, developed the legislation and recruited the Commissioner. We also managed the transfer of online safety initiatives from our Department to the ACMA before the Commissioner started. Mr Alastair MacGibbon was appointed as Commissioner on 1 July 2015.

Powers and functions of the Commissioner

An important function of the Children's e-Safety Commissioner is to administer a complaints system to get cyberbullying material taken down quickly from social media sites. The Commissioner has the power to deal with a cyberbullying complaint in two ways:

- > First, issue notices to large social media services to remove cyberbullying material targeted at an Australian child from the service.
- > Second, give a notice to a person who posts cyberbullying material targeted at an Australian child to remove material, refrain from posting further material and apologise.

Other functions of the Commissioner include:

- > promoting online safety for children
- > coordinating relevant activities of Commonwealth departments, authorities and agencies
- > supporting, conducting, accrediting and evaluating educational and community awareness programmes
- > making grants
- > advising the Minister.

The Commissioner is supported by ACMA staff and resources.

Stay Smart Online

KPI achieved:

- > Effective regulatory frameworks for, and information about open, competitive and efficient communications markets, consumer interests, and online safety and security.

The Stay Smart Online programme is a whole-of-government initiative offering information and tips about online safety and security issues. The free Stay Smart Online Alert Service sends email and social media messages to more than 21,000 subscribers and 9,300 Facebook followers about current threats so they can take appropriate action to protect

themselves. All information is independently verified, adding to the credibility of the service.

Many of the subscribers and followers are programme partners who pass on messages to their own subscribers, followers, employees and customers.

This year the website received 766,167 unique visitors.

Do Not Call Register

As a result of public consultation in December 2013, the Government agreed to amend the registration period on the Do Not Call Register from eight years to an indefinite period. The change was included in the Telecommunications Legislation Amendment (Deregulation) Bill 2014 that received Royal Assent on 13 April 2015. In February 2015, registrations of landline, mobile and fax numbers passed the 10 million milestone.

Regulatory frameworks

KPI achieved:

- > High-quality, strategic and timely advice on necessary market settings to promote competition, while ensuring access to basic services, making available socially valuable content, and safeguarding consumers from inappropriate content.

Response to the Harper Review of competition policy

We provided advice to the Minister on possible implications for the communications sector, of recommendations in the Harper Review. The Review reported on 31 March 2015 and made a number of recommendations

relating to competition, access and pricing and institutional arrangements that relate to communications markets and services. We continue to work with other agencies as part of the Government's response to the Review recommendations.

Improving our understanding of how communications markets work

We are enhancing our understanding of the efficient operation of Australian communications markets. The Bureau of Communications Research developed an analytical framework for us to use to identify and assess factors that facilitate or impede the provision and use of digital services. By applying this framework to critical areas of the communications sector, we are enhancing our understanding of market dynamics and our capacity to promote a more efficient, innovative and competitive communications sector.

Consultation and stakeholder engagement

The Bureau of Communications Research established a Stakeholder Engagement Strategy to promote constructive working relationships with relevant stakeholders, apply engagement principles that best marry the Bureau's objectives with stakeholders' expectations and facilitate targeted communications activities.

In addition to the Strategy, we started engagement activities that further build on our strategic priorities, including:

- > A forward release publication programme throughout 2015, which is updated on a regular and ongoing basis. Core publications include a package of key

facts, leading sector-relevant indicators, and statistical snapshots, a study of the communications investment pipeline and analysis of relevant indicators of global competitiveness.

- > International engagement through the Organisation for Economic Co-operation and Development to improve our international presence and Australia's influence in international communications negotiations.

Triple Zero—review of the national operator

The Triple Zero (000) service is a highly trusted and reliable service for all Australians when they need to request emergency assistance. The current arrangements for the national Triple Zero operator were established when voice calls from landlines dominated the telecommunications landscape.

In July 2014, the Government announced a review of the Triple Zero operator recognising that significant opportunities exist to take advantage of new technology and to respond to changing community expectations. Submissions to the review closed in August 2014 with approximately 50 formal submissions and over 3,000 responses to an online survey received. All non-confidential submissions have been published on the Department's website.

Key issues raised by the submissions include:

- > Strong support for accurate location positioning information for callers from mobiles
- > Improvements to multi-jurisdictional coordination arrangements as the service supports state and territory emergency response.

The review has concluded and a report was provided to the Government.

Australian Communications Consumer Action Network

The *Telecommunications Act 1997*—Section 593 grant provides for funding of consumer representation, and of research in relation to telecommunications. This funding is cost recovered via an annual Carrier Licence charge on eligible telecommunications carriers.

The Australian Communications Consumer Action Network (ACCAN) is the current sole recipient of the Section 593 grant, which we administer through a multi-year funding Deed.

We assessed ACCAN as having met the requirements of the Deed of Agreement after reviewing activities outlined in its quarterly progress reports and governance and operational documents:

- > It represented the views and interests of telecommunications consumers from a range of sectors evidenced through submissions and positions on telecommunications consumer issues.
- > It managed and provided funding for representation projects and carried out research into social, economic environmental technological implications of development relating to telecommunications.

ACCAN delivers information and education on telecommunication issues to consumers and organisations.

CASE STUDY

Switchover to digital marks historic milestone

Australia's digital journey reached a historic milestone in 2014 with the completion of a significant project to release new spectrum for mobile services.

Announced by the Government in June 2010, the ambitious Restack Programme committed our Department to achieve a digital dividend of 126 megahertz (MHz) of 700 MHz band spectrum—including Ultra High Frequency (UHF) television channels 52–69—by 31 December 2014. In the end, the programme successfully wrapped up six weeks ahead of schedule.

Its end marked the switchover to digital television, clearing our digital dividend of 126 MHz, which is the largest contiguous UHF digital dividend anywhere in the world.

The restack process involved relocating digital television services belonging to commercial broadcasters as well as the ABC to their new channels by retuning, replacing or otherwise modifying transmission equipment at 426 sites. This affected 1,476 free-to-air services. It was a complex task as each of the digital television services or channel changes across Australia needed to change in a set causal sequence, while at the same time preserving those channels that did not change, to minimise disruption to viewers.

Extensive planning behind the scenes saw over 22,000 pages of technical specification written, reviewed and agreed between site owners, broadcasters, implementation engineers and installers. Planning and contingency arrangements ensured no significant downtime was experienced onsite and mandatory training of all site workers guaranteed no onsite injuries.

The timetable included a public retune date, which was the date that affected commercial and national digital services would move to their final digital channels. On or after this date, viewers who received television from the identified transmission site retuned their digital television, set-top box or digital recorder in order to continue viewing free-to-air services that had undergone a channel change. Service infrastructure and tools, such as MySwitch, which were developed and successfully used in the digital television switchover, were also used to help people retune.

The final site to be retuned was Gunning in New South Wales, which retuned on 20 November 2014. Derby in Tasmania was the first on 6 April 2013.

The retune communications campaign was critical and by the end of the project it had informed 20.4 million viewers to successfully retune their televisions on or after their allocated retune day. For example, in September 2014, 2.2 million viewers retuned 386 services at 92 sites.

During the course of the programme, we reached out to over 2,800 community groups, 300 local government organisations, 3,700 schools, 3,600 aged care facilities, 2,000 journalists and 2,000 building owners and managers. We also ran television, print and radio advertising in line with the rollout timetable. Viewer information was produced in 28 different languages.

The Restack Programme was a collaborative effort that involved our Department working in consultation with communities across Australia, the Australian Communications and Media Authority and the broadcasting industry.

Overall, the Government committed \$143.2 million over five years in the 2012–13 Budget and \$26.6 million in the 2013–14 Budget to deliver the Restack Programme by 31 December 2014. The deadline ensured spectrum licences could start on 1 January 2015 and support new mobile and broadband services, as well as new applications.

The logistical complexities, involvement of households across Australia, and the benefits that will flow from the spectrum reallocation make the restack a significant achievement for us, the Government and Australia more broadly.

Given the fundamental role spectrum will play in the development of an innovative and productive digital and networked economy, it will remain a core policy area for us for a long time to come.

Australia's digital journey continues. It is a journey that will keep us at the forefront of communication technology for generations to come.



Visit annualreport.communications.gov.au/2015 to view the online version of this case study.



Goulburn Valley new antenna prior to installation.



Section 3

Management and accountability

Our corporate and legal teams provide important strategic and operational support to the Department, the Minister and the Parliamentary Secretary. This section of the report showcases the work done by these teams in support of the Department achieving its priorities.

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Corporate governance and performance

Key components of our corporate governance and performance framework include:

- > management committees
- > the Corporate Plan and business-planning framework
- > risk and business continuity management frameworks
- > financial and people management frameworks
- > internal and external audit
- > performance monitoring and reporting.

Management committees

The Department's management bodies and meetings are designed to share information, provide robust corporate governance, convey priorities, and embed strong organisational values. As part of the organisational redesign process in 2014, updated governance arrangements were put in place to strengthen our capability to identify and manage risk, improve our business planning and prioritisation, and ensure that information is being shared appropriately across the organisation.

Figure 3.1 Department of Communications Governance Framework



Executive Leadership Team

The Executive Leadership Team (ELT), made up of the Secretary, Deputy Secretaries, First Assistant Secretaries, General Counsel and Chief Economist, meets weekly and provides support to the Secretary in discharging his statutory roles as:

- > principal policy adviser to the Minister and Parliamentary Secretary
- > manager of government programmes to achieve portfolio and whole-of-government outcomes
- > leader within the Department and across APS
- > an Accountable Authority under the *Public Governance, Performance and Accountability Act 2013*.

The ELT supports the Secretary through:

- > providing collective advice on whole-of-department issues
- > collaborating across internal boundaries on policy development, resource management and organisational capability development
- > actively promoting and modelling the Department's agreed culture and corporate values.

Senior Leadership Group

The Senior Leadership Group (SLG) is made up of the SES and Executive Level officers that directly report to ELT members. SLG meetings are held every four to six weeks.

The aims of the forum are to:

- > share information affecting the leadership of both the Department and the broader Australian Public Service (APS)
- > improve interaction, teamwork and sharing across the Department
- > formulate practical actions
- > reflect on individual and group leadership performance.

Audit Committee

The Audit Committee provides independent advice and assurance to the Secretary on our control frameworks, externally published financial information, and compliance with statutory obligations in accordance with Section 45 of the *Public Governance, Performance and Accountability Act 2013*.

Membership for 2014–15 was made up of:

- > an external Chair
- > two external members
- > two internal members.

The Audit Committee met five times in 2014–15.

Health and Safety Committee

The Health and Safety Committee (HSC) is a key forum that supports a safety culture in the Department. It is an integral component of the Department's Work Health and Safety (WHS) framework and has responsibility for achieving positive outcomes for the Department in the management of WHS issues. The HSC met twice in 2014–15.

Workplace Consultative Committee

The Workplace Consultative Committee (WCC) is the principal forum through which formal consultation and discussions on workplace relations matters take place between management and employees. Four meetings were held in 2014–15.

Investment Committee

The Investment Committee was established in September 2014, replacing the previous Information Management Committee. The Investment Committee provides strategic advice to the Executive Leadership Team on significant financial investments across the Department, including implementation and management. It also considers proposals and provides guidance on investments from a medium to long-term point of view.

Membership for 2014–15 was made up of:

- > Chair
- > Deputy Chair
- > six members including two with specialist expertise
- > an advisor with extensive programme management experience
- > two observers.

The Investment Committee met seven times in 2014–15.

Governance

Corporate Plan and business planning framework

Our Corporate Plan 2014–17 was developed in the first half of 2013–14 and launched on 28 February 2014. It sets out the strategic priorities driving our direction, organisational structure and work over the next four years:

- > Expanding digital infrastructure. Australia's economy and security increasingly relies on the availability and integrity of digital infrastructure, communications networks and systems. We advise Government on the necessary market settings to deliver competitive and efficient digital infrastructure to drive growth in the broader economy.
- > Promoting efficient communications markets. For Australians to fully benefit from communications, broadcasting, media and other services the markets that supply these services must be trusted and operate efficiently. We advise Government on the necessary market settings to promote competition, while ensuring access to basic services, making available socially valuable content, and safeguarding consumers from inappropriate content and unfair dealing.
- > Strengthening our capabilities. To be the Government's pre-eminent advisor on digital technologies and communications services we must possess strong capabilities in leadership, strategy and delivery.



Following the new departmental structure taking effect on 1 September 2014, we have been reviewing and improving our existing internal business planning, risk management and resource allocation frameworks to align with our new structure, and facilitate and support strategic priorities in our Corporate Plan.

Risk management and fraud control

We are committed to promoting a culture that encourages rigorous risk assessment, informed risk taking and that anticipates risk in achieving objectives.

The ELT is active in identifying emerging risks and managing identified strategic risks with formal discussions held once a month. The Audit Committee continues to provide independent advice and assurance to the Secretary on our control frameworks.

Our Fraud Control arrangements comply with the Commonwealth Fraud Control Policy. In 2014–15, we carried out a department-wide fraud risk assessment. It found we had no significant gaps in our existing fraud controls. There were no incidents of fraud reported in 2014–15.

Business continuity planning

We have a Business Continuity Plan that outlines policies, procedures and responsibilities to make sure key business activities continue in the event business is interrupted.

During 2014–15, a review of the plan started to reflect our new organisational structure. The Plan will continue to be modified and streamlined in early 2015–16.

Internal audit

During 2014–15, internal audit services were provided by KPMG and overseen by the Audit Committee. Assignments for Quarter 1 along with a selection or proposed topics for 2014–15 were approved in July 2014. We reviewed the Plan again in December 2014 to make sure the audit topics continued to reflect our risk profile.

At the end of the reporting period six audits were completed with one still underway. These were a blend of traditional performance audits, pre-emptive proactive assist audits and a short 'in-flight' audit.

Recommendations were tracked and reported to the Audit Committee and Secretary.

Ethical standards

During 2014–15, we continued to promote the importance of ethical standards through the Accountable Authority Instructions and practical guides, which were reviewed following the implementation of the *Public Governance, Performance and Accountability Act*.

External scrutiny

In 2014–15, we took part in the following Australian National Audit Office cross-portfolio audits:

- > Confidentiality in Government Contracts: Senate Order for Departmental Agency Contracts. This started in 2013–14 and was tabled in 2014–15.
- > Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2014.
- > Interim phase of the Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2015.

During 2014–15, the Commonwealth Ombudsman received 15 approaches about the Department, with one unfinalised approach carried forward from 2013–14. Of these approaches three were investigated and 13 were not. Of the 16 approaches, all had been finalised at the end of the reporting period.

There were no judicial decisions, decisions of administrative tribunals or decisions by the Australian Information Commissioner that have had, or may have had, a significant impact on our operations during 2014–15.

Client Service Charter

Our Client Service Charter offers a contact point for clients to resolve complaints within the Department. Nine formal complaints were received during the reporting period. Often these complaints relate to issues outside the control of the Department, such as complaints regarding the actions of retail service providers. Our officers seek to work with impacted parties to resolve these complaints.

Freedom of Information

We experienced a 52 per cent decrease (31 requests) in the number of Freedom of Information (FOI) requests received this year. In part the decrease reflects the significant number of requests received in the previous reporting period that related to the Incoming Government Brief. In the current period requests have been less frequent and are more targeted resulting in fewer documents being captured for processing.

Documents released through FOI are published in the FOI Disclosure Log.

Agencies subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report. Each agency must display on its website a plan showing what information it publishes in accordance with the IPS requirements.

Visit our website to view our IPS Plan and FOI Disclosure Log.

Supporting our Minister

Throughout 2014–15, we supported the Minister and the Parliamentary Secretary and their offices by preparing, coordinating and processing responses to ministerial correspondence, questions taken on notice at Senate Estimates and Parliamentary Questions on Notice. We also prepared material for Senate Order reports, ministerial submissions and briefings on visits, meetings, functions, speeches, Question Time and Senate Estimates.

Table 3.1 Volume of correspondence, ministerial submissions, briefs and Questions on Notice processed

Type of advice	2013–14	2014–15
Ministerial correspondence*	8,885	8,072
Ministerial submissions	789	660
Briefs	223	194
Question Time briefs	152	199
Parliamentary Questions on Notice	65	56
Consumer campaign correspondence	26,587	31,500
Departmental Senate Estimates Questions on Notice	328	139
Portfolio agency Senate Estimates Questions on Notice	1,044	720

* Parliamentary reporting of correspondence includes all items received and processed including items for

information, appropriate action and response.

Parliamentary committee inquiries

During 2014–15, we appeared before the Senate Standing Committee on Environment and Communications for Supplementary Budget Estimates, Additional Budget Estimates and Budget Estimates.

We also made appearances before, as well as submissions and responses to, a number of parliamentary committee inquiries during the year.

Table 3.2 Appearances before, and submissions and responses to, parliamentary committee inquiries

Committee	Inquiry
House of Representatives Standing Committee on Infrastructure and Communications	<ul style="list-style-type: none"> > Inquiry into the use of subsection 313 (3) of the <i>Telecommunications Act 1997</i> by government agencies to disrupt the operation of illegal services
House of Representatives Standing Committee on Petitions	<ul style="list-style-type: none"> > Mobile Phone Coverage, Araluen Valley, NSW > Mobile Phone Coverage, Eyre Peninsula, South Australia > NBN Tower in Pacific Haven, Queensland > Community radio in Apollo Bay, Victoria > Australia Post—Petition on the relocation of the Craigieburn Post Office > Broadband Availability in Forster Keys, New South Wales > Broadband access in Burnett Shores Estate, Queensland > Quality and Availability of Broadband in Burnett Heads, Queensland > National Broadband Network—Petition regarding the fixed wireless infrastructure in Maleny, Queensland > National Broadband Network Rollout in Winthrop, Western Australia > National Broadband Network rollout in Baralaba, Queensland > Response to Petition regarding ABC funding and women's sport
Parliamentary Joint Committee on Human Rights	<ul style="list-style-type: none"> > The Broadcasting and Other Legislation Amendment (Deregulation) Bill 2014 > Telecommunications Legislation Amendment (Deregulation) Bill 2014
Senate Select Committee on the National Broadband Network	<ul style="list-style-type: none"> > Inquiry into the Government's reviews of the National Broadband Network and the governance of NBN Co

Committee	Inquiry
Senate Standing Committees on Environment and Communications—legislation committee	<ul style="list-style-type: none"> > Inquiry into Telecommunications Legislation Amendment (Deregulation) Bill 2014 and related bill (further referral) on 10 March 2015 > Inquiry into the Copyright Amendment (Online Infringement) Bill 2015 > Telecommunications Legislation Amendment (Deregulation) Bill 2014 > Inquiry into the Broadcasting and Other Legislation Amendment (Deregulation) Bill 2014
Senate Standing Committees on Legal and Constitutional Affairs—legislation committee	<ul style="list-style-type: none"> > Enhancing Online Safety for Children Bill 2014 and the Enhancing Online Safety for Children (Consequential Amendments) Bill 2014
Senate Standing Committee for the Scrutiny of Bills	<ul style="list-style-type: none"> > Alert Digest No. 15 of 2014, regarding matters relating to the Broadcasting and Other Legislation Amendment (Deregulation) Bill 2014

Legal services

The Office of the General Counsel provided legal advice on many relevant portfolio issues and transactions. The Deregulation Unit established within the Department is in this Division.

The Office provided advice on a wide variety of matters including:

- > National Broadband Network negotiations
- > deregulation reforms
- > integration of the Telecommunications Universal Service Management Agency (TUSMA) into the Department

- > departmental procurement and grants contracts
- > FOI
- > creation of the Children's e-Safety Commissioner
- > creation of the mobile black spot programme.

During 2014–15, the Office of the General Counsel provided input on 10 bills and 29 legislative instruments. Appendix 2 provides further details about legislation.

Deregulation

The Australian Government has committed to reduce excessive regulation by \$1 billion per year to boost productivity and provide businesses the flexibility to innovate in a globally competitive market. In 2014, significant progress was made with the announcement of over 50 measures aimed at removing the burden of red tape and onerous regulation in the communications sector.

These initiatives are expected to generate cumulative savings of over \$94 million for businesses and consumers, and result in over 3,400 pages of redundant or obsolete regulation being cleared from the statute books. These reforms were achieved through legislation and initiatives implemented by the Australian Communications and Media Authority.

These measures included reforms such as simplifying local number portability for consumers and industry, exempting classes of commercial broadcast licensees from the requirement to submit audited balance sheets and profit/loss accounts, introducing indefinite registration on the Do-Not-Call Register to benefit over 10 million consumers, and removing unnecessary compliance, reporting and recording keeping requirements across the broadcasting and telecommunications sectors.

Digital Communications

In 2014–15, we implemented a number of major projects and initiatives designed to provide a leading edge digital experience to staff and stakeholders.

We delivered a new departmental website, communications.gov.au, on 15 June 2015. The new site was built in the whole-of-government content management system, known as GovCMS, and designed based on user research.

It features an innovative 'Have Your Say' consultation page allowing citizens and stakeholders to more easily provide their views on policies being developed. All pages on the old website were rewritten in plain English. More than 700 pages of content were reviewed and reduced to just over 450 pages and three sites were amalgamated into the one departmental website, providing a more consistent user experience. Early feedback has been positive, with an increase in visits to the site and 'Have Your Say' section.

The Digital Literacy Training Programme was launched in February 2015 to increase staff understanding and engagement with digital channels, social media and internal and external business platforms. From February to June 2015, 339 staff attended a training session or innovation lab. Over 5,000 videos were viewed on the Lynda.com platform, equating to over 310 hours by 280 staff, and four out of the top five videos viewed related to digital literacy learning.



We continued to support the successful implementation of broader policy and programme initiatives across the Department. In 2014–15, we prepared 72 ministerial and 27 departmental media releases, responded to 391 media enquiries, and prepared 82 speeches. We provided social and digital content and live web streaming for two public forums designed to raise awareness of issues around online copyright infringement and digital innovation and transformation. We delivered a total of 78 videos, 19 animations and 49 infographics, as well as a large number of tweets and posts for social media.

The Department uses a number of social media platforms to share information and engage with the community. Our corporate Twitter account, @CommsAu, provides updates on ministerial announcements, promotes policy and programme work, and aims to engage the community in the work we do.

In 2014–15, we implemented a new strategic approach to our Twitter content planning, increasing our focus on our policy areas, consultations, and the impact of our policy and programmes. This has seen a 28 per cent increase in our followers and a 45 per cent increase in engagement (based on URL clicks, retweets, replies and favourites).

We also reshaped the Department's Graduate Facebook page to promote the culture of the Department and the opportunities available to graduates. Current and previous graduates provided content and shared their experiences. By using photos, videos and personal stories, 'Likes' to the page increased by 110 per cent over the year.

During the reporting period, we implemented and evaluated the Retune communications campaign. The campaign raised awareness of the need to retune television and digital recording equipment once restack work was completed at 426 sites around the country.

Internally, we have been building a new intranet that supports a culture of collaboration and open communication. The new intranet is based on extensive user feedback and includes an internal social network where staff can comment and collaborate on documents, publish posts and like and share information.

The new intranet was released in late July 2015. Over the next financial year, we will review and refresh our communication and digital strategies to make sure they remain relevant and support our strategic objectives.

Information, security, technology, facilities and support

In 2014–15, we requested 28 security clearances from the Australian Government Security Vetting Agency. Due to the support services we provide to TUSMA, it included clearances for staff from this agency.

Environmental performance

We have maintained our commitment to continuing and improving our environmental performance through a number of initiatives. These included:

- > Recycling lamps containing mercury by signing up to the FluoroCycle scheme.
- > Continued organic waste recycling of biodegradable materials and food waste.
- > Reduction of paper towel usage in washrooms with the introduction of hand dryers.

These initiatives have allowed us to minimise our environmental footprint. We also considered the environment in our procurement activities by making sure office equipment and whitegoods were replaced with energy efficient models.

Our people

Staff engagement

Consultative arrangements

Our consultative arrangements in 2014–15 included formal forums such as the Workplace Consultative Committee, the Health and Safety Committee and the Senior Leadership Group. In addition, there was extensive consultation with staff throughout the restructure process through staff meetings, forums, blogs and the Secretary's bulletins.

Staff forums and networks

In 2015, representatives of each of the networks and forums within the Department came together to form the Departmental Engagement Taskforce (DET). This was created to provide opportunities for members to collaborate on a range of network driven activities and initiatives. It provides a collaborative environment where new ideas and opportunities for staff to contribute to the culture of the Department are actively encouraged and supported.

The DET held an inaugural EXPO in June 2015 where member networks and forums showcased their initiatives and talked to interested staff about joining in and making the Department a great place to work.

Comms in Focus, a programme of recurring month-long events on a theme relevant to the work of the Department, was launched in 2015. It showcases leading industry guests and highlights our own expertise through a programme of events, master classes, panel discussions and Talking Heads presentations. The theme for May 2015 was 'Technology Change—Policy Questions'.

Social club

Our Social Club is made up of a group of staff from across the Department who work hard to maintain a positive, collaborative and social workplace environment. The Social Club organises the annual Christmas Party, trivia nights, happy hours and a number of ad hoc events throughout the year. It also supports charities and community events, including fundraising and awareness raising for worthwhile charities such as Lifeline Australia.

The Department has supported a number of charities on a regular basis such as the Rotary Club of Canberra's Circus Quirkus for over 10 years.

In 2014–15, the Social Club completed the successful year-long and department-wide competition known as 'The Games', which culminated in the 2014 Christmas Party. The Social Club has also increased its engagement with other departmental networks and groups through the Departmental Engagement Taskforce.

Capability development and performance improvement

Capability development

We faced a unique challenge in supporting managers and staff following the restructure. Our People Strategy was focused on enhancing our strategic policy, people and team management capabilities. Training programmes included policy, analytical and writing skills, micro and

macroeconomics, statistical analysis, having quality conversations, project management, team building and effectiveness and Team Management Systems workshops.

A greater focus through our performance management conversations process on the identification and development of capability using the 70|20|10 approach to learning through education, exposure and experience was successfully implemented. A range of online learning resources was launched to support these initiatives.

Core skills

Training in core skills is provided for all staff. In 2014–15, key priority areas included policy, economics, analytics, written communications skills, project management, enhancing performance through conversations and managing underperformance. Middle managers also took part in the Essentials for Managing Staff programme.

We launched a range of online learning resources in 2014–15 to support the implementation of the Capability Development Strategy, focused on development through education, exposure and experience. We implemented our learning management system with enhanced e-learning courses and online resources in July 2015.

Workplace diversity

In 2014–15, we started developing a three-year Diversity and Inclusion Strategy, a key initiative identified in the 2014–17 people strategy. Development involved consultation sessions

with staff across the Department and the development of a number of actions plans to support implementation.

The Strategy identifies the strategic priorities that drive our direction in three key areas:

1. Promoting and supporting diversity amongst employees.
2. Leveraging the diversity of our workforce to enhance the quality of policy advice and services.
3. Demonstrating how digital technologies and communications services can enhance diversity and inclusion across the Australian Public Service.

Work will continue in 2015–16 to make sure our workforce reflects, respects and benefits from diversity.

From June 2015, Commonwealth departments and agencies must report the number of ongoing and non-going employees for the current and preceding year who identify as Indigenous. In 2013–14, we had four ongoing and nil non-going employees who identified as Indigenous, and in 2014–15 we had three ongoing and nil non-going employees who identified as Indigenous.

Reward and recognition

In 2014–15, a revised Reward and Recognition programme was launched. #thankyou encourages our staff to recognise and reward each other when they see the demonstration of our desired values, behaviours and high performance standards. In addition, formal recognition occurs through the Australia Day

Awards and an Annual Secretary's Award. Four team and two individual awards were presented at the Australia Day Awards in January 2015.

The individual awards were for working innovatively and collaboratively in leading the development of the NationalMap, and for sustained leadership and commitment to excellence in delivering a number of key projects and developing staff capabilities.

Team awards were presented to staff who were involved in the Restack and Retune programme, the ABC and SBS Efficiency Study, developing the Government response to the Vertigan Review, and the Telstra and Optus negotiations.

Workforce planning

Workforce planning metrics and analysis have been provided regularly to the Executive Leadership Team and have been used to inform planning and decision-making as we transitioned into a new organisational structure in September 2014. We implemented a new strategy that reduced the layers of management from eight to five, increased spans of control and increased the ratio of staff to managers to between five and seven. All positions in the organisation were designed and measured against the work level standards.

The new fixed establishment identified the number and types of positions within the structure. This ensured the allocation of resources to align with our strategic direction and meet business priorities.

Secondment Programme

The Secondment Programme has been implemented to build internal capability and knowledge, provide capability development for those with high potential and emerging talent, and enhance organisational relationships and connections with our portfolio agencies.

During the reporting period, the Department of the Prime Minister and Cabinet, Australian Competition and Consumer Commission, Australian Trade Commission, NBN Co, Australian Communications and Media Authority and the Digital Transformation Office participated in the Secondment Programme.

The Programme offers a chance to increase internal capability through better understanding portfolio and commercial issues, and building relationships with key stakeholders. It has been rolled out with portfolio agencies and it is proposed it will expand to include placements in the broader APS and industry.

Flexible work

Following our participation in the APS Telework Trial, which ended in January 2014, and the Working from Anywhere Pilot, carried out between 1 May 2014 and 25 June 2014, we continue to actively drive the initiative of being a more flexible and mobile workforce.

Flexible working helped us provide best-in-class arrangements that increase workforce agility and flexibility and give employees the ability to improve their work-life balance. Supported by effective and innovative use of leading edge ICT, we have the opportunity to be an APS leader in this area.

Work health and safety

Healthy Living Month was run in April 2015 to encourage staff to get active and think about health and wellbeing through activities that promote a healthy body and mind. 70 per cent of staff took part in the activities. 112 staff members received skin checks and 197 got flu shots.

We commissioned a Work Health Safety audit that was carried out by an external contractor. It reviewed our Work Health Safety Management System and current processes, policies, registers, manuals and forms that make up the system. The audit also reviewed our Work Health and Safety training to make sure all staff are made aware of, and committed to, their obligations under the *Work Health and Safety Act 2011*.

We did not have any notifiable incidents in 2014–15, and no Provisional Improvement Notices were issued.

Changes to disability reporting in annual reports

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007–08, reporting on the employer role was transferred to the Australian Public Service Commission's *State of the Service Report* and the *APS Statistical Bulletin*. These reports are available at www.apsc.gov.au. From 2010–11, departments and agencies have no longer been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy

2010–2020, which sets out a ten year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high level two-yearly report will track progress against each of the six outcome areas of the Strategy and present a picture of how people with disability are faring. The first of these reports will be available in late 2014, and can be found at www.dss.gov.au.

Enterprise Agreement

Our Enterprise Agreement came into effect on 1 July 2011 and nominally expired on 30 June 2014. This Agreement covered all non-SES staff employed under the *Public Service Act 1999*. As at 30 June 2015, 434 staff were covered by this Agreement.

On 6 June 2014, the Secretary issued the Notice of Employee Representational Rights to initiate bargaining for the next Enterprise Agreement: the new Enterprise Agreement was agreed by staff on 9 July. The Department of Communications Enterprise Agreement 2015–18 came into effect on 17 August 2015.

SES remuneration

The terms and conditions of employment for SES staff are contained in individual determinations made under sub-section 24(1) of the *Public Service Act 1999*. These instruments set the remuneration and employment conditions for SES staff and provide for non-salary inclusions relating to leave arrangements and entitlements, superannuation, salary sacrifice, travel and either a motor vehicle under the Executive Vehicle Scheme (or payment of an allowance in lieu of a motor vehicle).

See Appendix 3 for statistics on employment instrument coverage and SES remuneration.

CASE STUDY

Being a digital leader within the Australian Government

At the Department of Communications, we aim to lead by example. This means being at the cutting edge of information and communications technology (ICT) and helping our staff to work flexibly anywhere, anytime. If we can do it, everyone can.

In May 2015, we became the first Commonwealth department to move our entire IT infrastructure to a secure cloud service. We plan to finish the transition by October 2015.

We are leading the move away from the traditional capital-intensive ICT delivery model to adopting a secure government cloud platform. This transition will give us a sustainable, cost effective and scalable 'pay as you use' consumption model, in line with the Government's Cloud First directive. The service will allow us to scale our IT capability and capacity to meet changing demands, meaning IT services will be delivered more effectively and at a reduced cost.

We want to have the organisational capacity, capability and culture to support a high performing workforce and deliver outcomes for government. We have realised our goal of enabling staff to work smarter, be more productive and operate in ways that support greater collaboration and engagement. We now have an environment where staff have access to the latest technology, and the flexibility and agility to seamlessly interact with anyone, anywhere, at anytime.

A sophisticated working environment sees us operate within a managed wireless network where laptops are replacing paper and pens, staff are able to video call in to meetings from their laptops and take part while staying connected to their applications and information. They can also seamlessly undock their laptops from their desks to collaborate with colleagues in open spaces or keep working from home.

We want to be distinguished by our people and our collaborative culture. In February 2015, this led to the launch of the Digital Literacy Training Programme to help us as a department be digitally literate. This means:

- > Being digitally curious—exploring and trying new digital things.
- > Being digitally effective—knowing how to use applications and platforms effectively in the workplace.
- > Being digitally confident—to troubleshoot commonly used applications and platforms ourselves.

We know that by being more digitally literate we will both enhance our productivity and improve our capability to make the most of available technologies.

The Digital Literacy Training Programme includes a series of short workshops, videos and the Lynda.com portal to help build confidence, skills and knowledge of applications and platforms in the digital world. Staff can identify what topics they are interested in from the intranet training calendar and schedule training sessions on topics such as Facebook, Twitter, RSS Feeds, YouTube and writing online content. We also invite guest speakers to showcase new technologies or new digital initiatives.

This year we also started to provide a seamless digital experience to stakeholders. Two examples of this are our 2013–14 Annual Report and the redeveloped communications.gov.au website.

The creation of a digital version of our 2013–14 Annual Report was centred on creating relevant, meaningful content that our stakeholders, industry and the community could better engage with. For the first time we also prepared a summary version of the document that could be downloaded as an app.

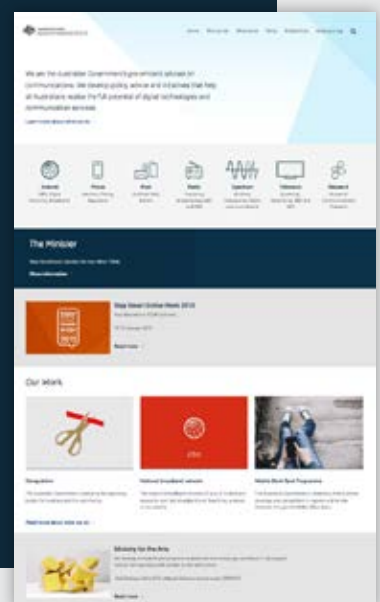
We were very proud of the end result and it was recognised with a Gold award in the Institute of Public Administration online reports category for large/medium *Financial Management and Accountability Act 1997* Agencies. The accompanying comments noted ‘this online report seeks to reach new standards in the use of digital technology’.

Our flagship digital project in 2014–15 was the redevelopment of the communications.gov.au website in the GovCMS platform: the whole-of-government content management system.

GovCMS has allowed us to build on an open source product, reaping the rewards of cloud hosting and contributing back to a new government digital web community. The redevelopment, which was directed by user needs, features a ‘Have Your Say’ policy consultation page that will allow for greater engagement on policy development by industry, stakeholders and the public.

The project saw the amalgamation of several standalone programme sites, which has minimised our digital footprint and ensured a consistent and unified user experience.

Visit annualreport.communications.gov.au/2015 to view the online version of this case study.



communications.gov.au

Financial management

This section should be read in conjunction with our audited financial statements for 2014–15, which appear in the Financial statements section of the report.

Financial overview

Parliament gives the Department two types of funding: departmental and administered. Departmental funds are used to produce goods and services (outputs) at a quantity, quality and price endorsed by the Government. We administer funds, assets and liabilities on behalf of the Australian Government, which controls how we use them and requires us to account for them separately.

Departmental finances

The Department's net cost of services for 2014–15 was \$96.7 million, with revenue from government of \$91.4 million, resulting in an operating deficit of \$5.3 million. The surplus excluding depreciation was \$0.6 million.

Total expenses decreased by \$16.5 million in 2014–15, reflecting in the main, lower employee expenses resulting from the reduced staffing level leading into and following on from the Department's restructure in September 2014.

The Department's net assets were lower due primarily to financial assets reduced by the *Omnibus Repeal Day (Autumn 2014) Act 2014*.

Table 3.3 Summary of departmental financial performance and position

	2010–11 \$m	2011–12 \$m	2012–13 \$m	2013–14 \$m	2014–15 \$m	Change last year	
Employee and supplier expenses	120.4	127.6	113.1	108.2	91.6	-15.3%	▼
Depreciation	6.1	6.1	7.1	6.4	5.9	-7.8%	▼
Other expenses	0.2	0.4	1.5	0.2	0.8	300.0%	▲
Total expenses	126.7	134.1	121.7	114.8	98.3	-14.4%	▼
Revenue from Government	125.2	127.6	113.2	106.1	91.4	-13.9%	▼
Other revenue	0.2	1.4	2.5	2.8	1.2	-57.1%	▼
Gains	0.4	0.4	0.4	0.6	0.4	-33.3%	▼
Total income	125.8	129.4	116.1	109.5	93.0	-15.1%	▼
Net cost of services	126.1	132.3	118.8	111.4	96.7	-13.2%	▼
Operating result (loss)	-0.9	-4.7	-5.6	-5.3	-5.3	0.0	N/A
Financial assets	75.7	79.6	83.5	25.8	21.0	-18.6%	▼
Non-financial assets	22.9	25.1	22.0	19.9	15.2	-23.6%	▼
Liabilities	35.6	40.3	41.0	35.6	33.6	-5.6%	▼
Net assets	63.0	64.4	64.5	10.1	2.6	-74.3%	▼

Administered finances

Administered income decreased by \$140.4 million, reflective of no dividends having been paid by Australia Post in 2014–15.

Administered expenses decreased by \$24.3 million, predominately due to the decreased activity associated with the Digital Television Switchover programme, the transfer of funding to the Australian Communications and Media Authority as part of the Enhancing Online Safety for Children initiative, and the reduced level of grants during the year.

Administered financial assets increased by \$2.6 billion mainly due to an increase in the Commonwealth's investment in NBN Co, plus the provision of new loan funding to ABC.

Administered non-financial assets decreased by \$10.9 million primarily due to the depreciation for property, plant and equipment and reduced lease prepayments.

Administered liabilities decreased by \$28.5 million, largely due to the completion of the Restack and Electronic News Gathering programmes.

Table 3.4 Summary of administered financial performance and position

	2010–11 \$m	2011–12 \$m	2012–13 \$m	2013–14 \$m	2014–15 \$m	Change last year	
Grants	63.9	549.7	190.5	133.9	111.8	-16.5%	▼
Subsidies	46.1	19.9	47.3	4.8	-0.1	-102.1%	▼
Other expenses	44.2	71.2	115.8	52.0	29.3	-43.7%	▼
Payments to Commonwealth Corporate Entities	1,167.8	1,218.9	1,273.7	1,323.6	1,349.2	1.9%	▲
Total expenses	1,321.9	1,859.7	1,627.3	1,514.3	1,490.2	-1.6%	▼
Interest	2.5	0.8	0.2	0.4	1.3	228.0%	▲
Dividends	78.5	193.9	243.7	142.3	0.0	-100.0%	▼
Other revenue	1.2	0.9	1.8	2.0	2.0	0.0	N/A
Gains	0.0	0.0	0.0	0.0	1.0	100.0%	▲
Total income	82.2	195.6	245.7	144.7	4.3	-97.0%	▼

	2010–11 \$m	2011–12 \$m	2012–13 \$m	2013–14 \$m	2014–15 \$m	Change last year
Financial assets	4,900.3	6,829.5	6,823.1	8,749.7	11,318.3	29.4% ▲
Non-financial assets	228.6	280.4	195.8	190.2	179.3	-5.7% ▼
Liabilities	43.0	71.7	99.6	53.9	25.4	-52.9% ▼
Net assets	5,085.9	7,038.2	6,919.3	8,886.0	11,472.2	29.1% ▲

Financial management

During 2014–15, in accordance with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), the (PGPA) working group and subsequently relevant departmental branches, continued to revise and update financial management guidance. This included further updates to the Accountable Authority Instructions and revised Instruments of Delegations.

Asset management

Our capital plan reflects the Government's priorities and business needs and complies with its financial management framework. We monitor asset acquisitions and disposals against this plan. We carry out an annual stocktake to update and verify the accuracy of our asset records and review their condition and utility.

Procurement

Our procurement policies, processes and practices are consistent with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the Commonwealth Procurement Rules (CPRs). Appropriate controls are in place to make sure procurement is carried out in accordance with the CPRs. These controls also help identify potential areas for improvement.

We publish procurement activities and annual procurement plans on AusTender. Information on expected procurement activities in 2014–15 is included in our latest annual procurement plan and is also available on AusTender.

Consultancies

We engage consultants to provide specialised professional services when we do not have the capability or capacity to perform these in-house, or where we need independent research, review, assessment or advice. Consultants are typically engaged to investigate

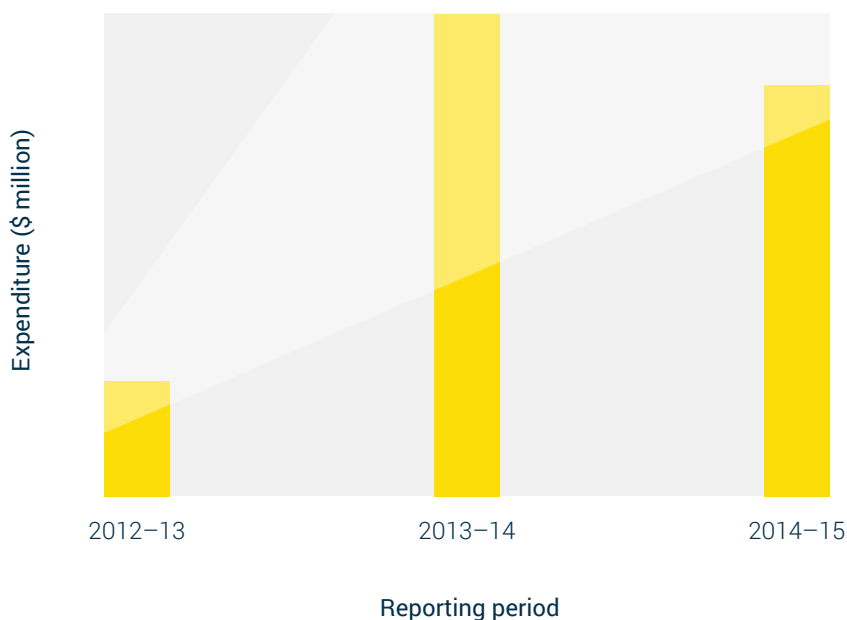
or diagnose a specific issue or problem, carry out reviews or evaluations, as well as provide independent advice, information or solutions to help us make decisions.

Before engaging consultants, we take into account the skills and resources needed for the task, the skills available internally and the cost-effectiveness of engaging external expertise. Our policy for selecting and engaging consultants in 2014–15 was in accordance with the PGPA Act and the CPRs and based on the core principle of achieving value for money.

During 2014–15, 50 new consultancy contracts were entered into involving total actual expenditure of \$3.610 million. In addition, 42 ongoing consultancy contracts were active during the 2014–15 year, involving total actual expenditure of \$4.244 million.

It should be noted that information on contracts and consultancies valued at least \$10,000 (GST inclusive) is available through the AusTender website at www.tenders.gov.au.

Figure 3.2 Expenditure on consultancy contracts from 2012–15



SME procurement

We support small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts

We recognise the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website www.treasury.gov.au

We have met government policy requirements in terms of supporting small and medium sized enterprises in a number of ways:

- > Where procurements are considered low risk and their value is below the procurement threshold of \$80,000 (GST inclusive), a streamlined process is encouraged and the supplier is engaged using a purchase order as the agreement in lieu of a more formal arrangement.
- > We are phasing in the use of the Commonwealth Contracting Suite for low risk procurements valued under \$200,000 (GST inclusive).
- > Our financial management information system facilitates the payment of invoices on time and provides reports supporting this goal if invoices have not been paid within a certain period of time.
- > For procurements valued under \$10,000 (GST inclusive) we encourage the use of payment by credit card.
- > Approach to market documentation developed by us is clear and straightforward in order to help potential suppliers produce a response that does not require extensive time and effort.

Auditor-General's access to contractor premises

During 2014–15, each competitively tendered contract of \$100,000 or more (inclusive of GST) included a provision that allowed the Auditor-General access to the premises of the contractor.

Exempt contracts

During 2014–15, no contracts or standing offers were exempted by the Secretary from being published on AusTender on the basis they would disclose matters exempt under the *Freedom of Information Act 1982*.

Grants

We administer the following grant programmes:

- > Community Broadcasting
- > Consumer Representation Grants
- > Digital Hubs
- > Digital Enterprise
- > Digital Local Government
- > Digital Business Kits
- > Digital Careers
- > ICT Centre of Excellence—National ICT Australia
- > Spectrum Restacking
- > Electronic News Gathering
- > Viewer Access Satellite Television
- > Regional Equalisation Plan
- > Townsville NBN-Enabled Diabetes Telehealth Trial Extension.

Information on grants awarded by the Department during 2014–15 is available on our website at www.communications.gov.au/who-we-are/departments/funding-reporting.



Section 4

Financial statements

This section contains the audited financial statements of this Department for the year ended 30 June 2015.



INDEPENDENT AUDITOR'S REPORT

To the Minister for Communications

I have audited the accompanying annual financial statements of the Department of Communications for the year ended 30 June 2015, which comprise:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Schedule of Commitments;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement;
- Schedule of Administered Commitments; and
- Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

Accountable Authority's Responsibility for the Financial Statements

The Secretary of the Department of Communications is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Secretary is also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial

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statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

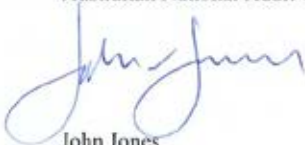
In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

In my opinion, the financial statements of the Department of Communications:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Department of Communications as at 30 June 2015 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



John Jones
Executive Director
Delegate of the Auditor-General
Canberra

18 September 2015



Australian Government
Department of Communications

2014-15 FINANCIAL STATEMENTS

**STATEMENT BY THE ACCOUNTABLE AUTHORITY
AND CHIEF FINANCIAL OFFICER**

In our opinion, the attached financial statements for the year ended 30 June 2015 comply with subsection 42(2) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Department will be able to pay its debts as and when they fall due.

A handwritten signature in blue ink, appearing to read 'Nerida O'Loughlin'.

Nerida O'Loughlin
Acting Accountable Authority

A handwritten signature in black ink, appearing to read 'Lynne Gray'.

Lynne Gray
Acting Chief Financial Officer

18 September 2015

18 September 2015

Department of Communications
Statement of Comprehensive Income
for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
NET COST OF SERVICES			
Expenses			
Employee benefits	4A	50,825	72,772
Suppliers	4B	40,784	35,465
Depreciation and amortisation	4C	5,906	6,421
Finance costs	4D	65	52
Write-down and impairment of assets	4E	730	127
Losses from asset sales	4F	2	3
Other expenses	4G	11	2
Total expenses		98,323	114,842
Own-Source Income			
Own-source revenue			
Sale of goods and rendering of services	5A	795	2,540
Rental income	5B	215	225
Other revenue	5C	203	21
Total own-source revenue		1,213	2,786
Gains			
Gains from sale of assets	5D	6	-
Other gains	5E	391	577
Total gains		397	577
Total own-source income		1,610	3,363
Net contribution by services		96,713	111,479
Revenue from Government	5F	91,377	106,089
Deficit before income tax on continuing operations		(5,336)	(5,390)
Deficit after income tax		(5,336)	(5,390)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		(1,645)	969
Total other comprehensive income after income tax		(1,645)	969
Total comprehensive income		(6,981)	(4,421)

The above statement should be read in conjunction with the accompanying notes.

Department of Communications
Statement of Financial Position
as at 30 June 2015

	Notes	2015 \$'000	2014 \$'000
ASSETS			
Financial assets			
Cash and cash equivalents	7A, 12	655	576
Trade and other receivables	7B	19,954	25,208
Other financial assets	7C	366	-
Total financial assets		20,975	25,784
Non-financial assets			
Land and buildings	8A, 8C	3,245	5,573
Property, plant and equipment	8B, 8C	2,452	4,324
Intangibles	8D, 8E	8,550	8,417
Other non-financial assets	8F	908	1,542
Total non-financial assets		15,155	19,856
Total assets		36,130	45,640
LIABILITIES			
Payables			
Suppliers	9A	9,621	3,654
Lease incentives	9B	469	256
Other payables	9C	2,666	2,971
Total payables		12,756	6,881
Provisions			
Employee provisions	10A	16,666	24,841
Other provisions	10B	4,177	3,903
Total provisions		20,843	28,744
Total liabilities		33,599	35,625
Net assets		2,531	10,015
EQUITY			
Contributed equity		15,880	5,385
Reserves		8,189	9,834
Accumulated deficit		(21,538)	(5,204)
Total equity		2,531	10,015

The above statement should be read in conjunction with the accompanying notes.

**Department of Communications
Statement of Changes in Equity
for the year ended 30 June 2015**

	Asset revaluation				Contributed equity/capital	
	Retained earnings	surplus	2014	2015	2014	2015
	2015	2015	\$'000	\$'000	\$'000	\$'000
Opening balance						
Balance carried forward from previous period	(5,204)	38,917	9,834	8,865	16,789	10,015
Adjustment to opening balance ¹	(267)	-	-	-	-	(267)
Adjusted opening balance	(5,471)	38,917	9,834	8,865	16,789	9,748
Comprehensive income						
Surplus (Deficit) for the year	(5,336)	(5,390)	-	-	-	(5,336)
Other comprehensive income	-	-	(1,645)	969	-	(1,645)
Total comprehensive income	(5,336)	(5,390)	(1,645)	969	-	(6,981)
Total comprehensive income attributed to Australian Government	(5,336)	(5,390)	(1,645)	969	-	(6,981)
Transactions with owners						
Distributions to owners						
Reductions of appropriations (Statute Stocktake (Appropriations) Act 2013) ²	-	(54,367)	-	-	(1,153)	-
Reductions of appropriations (Omnibus Repeal Day (Autumn 2014) Act 2014) ³	(10,731)	-	-	-	-	(10,731)
Restructuring	-	-	-	-	(20)	(20)
Contributions by owners						
Equity injection	-	-	-	-	6,400	1,141
Departmental Capital Budget	-	-	-	-	4,095	4,264
Total transactions with owners	(10,731)	(54,367)	-	-	10,495	(236)
Transfers between equity components	-	15,636	-	-	(15,636)	-
Closing balance as at 30 June	(21,538)	(5,204)	8,189	9,834	15,880	2,531
Closing balance attributable to Australian Government	(21,538)	(5,204)	8,189	9,834	15,880	2,531
						10,015

¹ Reinstating the quarantined amount adjusted against previous year's appropriation balance.

² The purpose of the Statute Stocktake (Appropriations) Act 2013 is to repeal 84 annual appropriation Acts from 1 July 1999 to 30 June 2010.

³ The purpose of the Omnibus Repeal Day (Autumn 2014) Act 2014 is to repeal and amend a number of bills to remove duplication and red tape.

The above statement should be read in conjunction with the accompanying notes.

Department of Communications
Cash Flow Statement
for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
OPERATING ACTIVITIES			
Cash received			
Receipts from Government		97,529	117,417
Sales of goods and rendering of services		423	4,051
Net GST received		3,681	3,410
Other		224	25
Total cash received		101,857	124,903
Cash used			
Employees		59,403	73,022
Suppliers		37,388	42,874
Section 74 receipts transferred to Official Public Account		4,987	9,021
Other		12	2
Total cash used		101,790	124,919
Net cash from/(used by) operating activities	12	67	(16)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		12	4
Total cash received		12	4
Cash used			
Purchase of property, plant and equipment		94	771
Purchase of land and buildings		154	114
Purchase of intangibles		3,764	2,537
Total cash used		4,012	3,422
Net cash used by investing activities		(4,000)	(3,418)
FINANCING ACTIVITIES			
Cash received			
Contributed equity		400	503
Departmental Capital Budget		3,612	2,919
Total cash received		4,012	3,422
Net cash from financing activities		4,012	3,422
Net increase (decrease) in cash held		79	(12)
Cash and cash equivalents at the beginning of the reporting period		576	588
Cash and cash equivalents at the end of the reporting period	7A	655	576

The above statement should be read in conjunction with the accompanying notes.

Department of Communications
Schedule of Commitments
as at 30 June 2015

	2015 \$'000	2014 \$'000
BY TYPE		
Commitments receivable		
Net GST recoverable on commitments	3,992	2,404
Other commitments	-	600
Total commitments receivable	3,992	3,004
Commitments payable		
Other commitments		
Operating leases ¹	10,962	15,326
Service contract commitments ²	33,258	12,018
Total other commitments	44,220	27,344
Total commitments payables	44,220	27,344
Net commitments by type	40,228	24,340
BY MATURITY		
Commitments receivable		
Net GST recoverable on commitments		
Within 1 year	1,468	1,204
Between 1 to 5 years	2,524	1,200
Total net GST recoverable on commitments	3,992	2,404
Other commitment receivable		
Within 1 year	-	600
Total other commitment receivable	-	600
Total commitments receivable	3,992	3,004
Commitments payable		
Operating lease commitments		
Within 1 year	4,687	4,369
Between 1 to 5 years	6,275	10,957
Total operating lease commitments	10,962	15,326
Service contract commitments		
Within 1 year	11,705	9,577
Between 1 to 5 years	21,553	2,441
Total service contract commitments	33,258	12,018
Total commitments payable	44,220	27,344
Net commitments by maturity	40,228	24,340

Commitments are GST inclusive where relevant.

Department of Communications
Schedule of Commitments
as at 30 June 2015

¹ Operating leases relate to premises leased by the Department. The main operating leases include the following:

Nature of lease	General description of leasing arrangement
Leases for office accommodation	<p><u>Main office accommodation</u></p> <p>Lease payments at 38 Sydney Avenue, Canberra are subject to a 3.5% fixed annual adjustment. The current term for the office accommodation expires on 21 November 2017. A further term of five years is available at the Department's discretion.</p> <p><u>Secondary office accommodation</u></p> <p>Lease payments at 44 Sydney Avenue level 1 and suite 1A, Canberra, are not subject to an annual lease adjustment as the lease has been signed for 1 year. The current term for the office accommodation expires on 31 July 2015 and will not be renewed.</p> <p>Lease payments at 31 Market Street level 18, Sydney, are subject to a 3.75% fixed annual adjustment. The current term expires on 30 June 2017.</p> <p>Lease payments for the lease of storage space at 122-124 Gladstone Street, Fyshwick are subject to a 3% fixed annual adjustment. The current term expires on 30 April 2017.</p>
Agreements for the provision of motor vehicles to senior executive officers	No contingent rentals exist. There are no renewal or purchase options available to the Department.

² Service contract commitments primarily relate to security, cleaning, payroll, consultancies and contractors.

Department of Communications
Administered Schedule of Comprehensive Income
for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
NET COST OF SERVICES			
Expenses			
Suppliers	18A	11,627	38,568
Subsidies	18B	(133)	4,763
Grants	18C	111,849	133,920
Depreciation and amortisation	18D	7,991	7,779
Finance costs	18E	3,269	-
Payments to corporate Commonwealth entities	18F	1,349,152	1,323,625
Other expenses	18G	6,364	5,739
Total expenses		1,490,119	1,514,394
Income			
Revenue			
Non-taxation revenue			
Interest	19A	1,312	359
Dividends	19B	-	142,300
Rental income	19C	1,529	1,529
Other revenue	19D	429	481
Total non-taxation revenue		3,270	144,669
Total revenue		3,270	144,669
Gains			
Other gains	19E	989	-
Total gains		989	-
Total income		4,259	144,669
Net (cost of)/contribution by services		1,485,860	1,369,725
Deficit		(1,485,860)	(1,369,725)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		1,061	5,665
Items subject to subsequent reclassification to net cost of services			
Gains/(Losses) on available for sale financial assets		(2,206,279)	(1,286,945)
Total other comprehensive income/(loss)		(2,205,218)	(1,281,280)
Total comprehensive loss		(3,691,078)	(2,651,005)

This schedule should be read in conjunction with the accompanying notes.

Department of Communications

ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES

as at 30 June 2015

	Notes	2015 \$'000	2014 \$'000
ASSETS			
Financial assets			
Trade and other receivables	21A	68,269	45,771
Other investments	21B	11,250,005	8,703,908
Other financial assets	21C	12	-
Total financial assets		11,318,286	8,749,679
Non-financial assets			
Property, plant and equipment	22A, 22B	172,144	179,779
Other non-financial assets	22C	7,154	10,381
Total non-financial assets		179,298	190,160
Total assets administered on behalf of Government		11,497,584	8,939,839
LIABILITIES			
Payables			
Suppliers	23A	304	2,501
Subsidies	23B	-	163
Grants	23C	4,051	26,509
GST payable	23D	3,624	5,743
Other payables	23E	17,463	18,992
Total payables		25,442	53,908
Total liabilities administered on behalf of Government		25,442	53,908
Net assets		11,472,142	8,885,931

The above schedule should be read in conjunction with the accompanying notes.

Department of Communications
ADMINISTERED RECONCILIATION SCHEDULE
for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
Opening assets less liabilities as at 1 July	8,885,931	6,919,262
Net (cost of)/contribution by services		
Income	4,259	144,669
Expenses		
Payments to entities other than corporate Commonwealth entities	(140,967)	(190,769)
Payments to corporate Commonwealth entities	(1,349,152)	(1,323,625)
Other comprehensive income		
Revaluations transferred to/(from) reserves	(2,206,279)	(1,286,945)
Asset Revaluation Reserve	1,061	5,665
Transfers to/from the Australian Government		
Appropriation transfers from Official Public Account		
Administered assets and liabilities appropriations		
Asset and liabilities appropriations for payments to corporate Commonwealth entities	4,767,000	3,193,300
Annual appropriations		
Payments to entities other than corporate Commonwealth entities	148,350	219,758
Payments to corporate Commonwealth entities	1,349,152	1,323,625
Loans to corporate Commonwealth entities	50,000	40,000
Appropriation transfers to OPA		
Transfers to OPA	(37,245)	(159,009)
Administered receipts from the Australia New Zealand Land Information Special Account	32	-
Closing assets less liabilities as at 30 June	11,472,142	8,885,931

Department of Communications
ADMINISTERED CASH FLOW STATEMENT
for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
OPERATING ACTIVITIES			
Cash received			
Interest		815	129
Dividends		-	142,300
Net GST received		16,274	22,292
Other		1,773	276
Total cash received		18,862	164,997
Cash used			
Grants		144,484	146,176
Subsidies		33	28,914
Suppliers		11,537	60,322
Payments to corporate Commonwealth entities		1,349,152	1,323,625
Other		6,451	6,157
Total cash used		1,511,657	1,565,194
Net cash used by operating activities	24	(1,492,795)	(1,400,197)
INVESTING ACTIVITIES			
Cash received			
Repayments of advances and loans from corporate Commonwealth entities		20,000	3,000
Proceeds from return of equity by corporate Commonwealth entities		14,625	13,094
Total cash received		34,625	16,094
Cash used			
Loan to corporate Commonwealth entities		50,000	-
Corporate Commonwealth entities investments		4,767,000	3,193,300
Total cash used		4,817,000	3,193,300
Net cash used by investing activities		(4,782,375)	(3,177,206)
Net decrease in cash held		(6,275,170)	(4,577,403)
Cash and cash equivalents at the beginning of the reporting period		-	-
Cash from Official Public Account			
Appropriations		148,350	219,758
Corporate Commonwealth entities appropriations		6,116,152	4,516,925
Loans to corporate Commonwealth entities		50,000	-
Special Accounts		32	-
GST drawdowns from Finance		14,155	22,021
Total cash from official public account		6,328,689	4,758,704
Cash to Official Public Account			
Appropriations		32	183
Dividends		-	142,300
GST repayments to Finance		16,274	22,292
Other		37,213	16,526
Total cash to official public account		53,519	181,301
Cash and cash equivalents at the end of the reporting period		-	-
This schedule should be read in conjunction with the accompanying notes.			

Department of Communications
SCHEDULE OF ADMINISTERED COMMITMENTS
as at 30 June 2015

	2015 \$'000	2014 \$'000
BY TYPE		
Commitments receivable		
Net GST recoverable on commitments	13,137	18,120
Total commitments receivable	13,137	18,120
Commitments payable		
Capital commitments		
Investments in Commonwealth companies ¹	16,314,555	21,081,555
Total capital commitments	16,314,555	21,081,555
Other Commitments		
Grant commitments ²	133,932	176,496
Other ³	10,594	22,831
Total other commitments	144,526	199,327
Total commitments payable	16,459,081	21,280,882
Net commitments by type	16,445,944	21,262,762
BY MATURITY		
Commitments receivable		
Net GST recoverable on commitments		
One year or less	7,239	9,671
From one to five years	5,898	8,449
Total commitments receivable	13,137	18,120
Commitments payable		
Capital commitments		
One year or less	7,838,908	5,200,000
From one to five years	8,475,647	15,881,555
Total capital commitments	16,314,555	21,081,555
Other commitments		
One year or less	79,644	106,389
From one to five years	64,882	92,938
Total other commitments	144,526	199,327
Total commitments payable	16,459,081	21,280,882
Net commitments by maturity	16,445,944	21,262,762

Commitments are GST inclusive where relevant.

¹ Investments in Commonwealth companies relates to the Commonwealth's Equity Agreement with the NBN Co

² Grant commitments relate to the Digital Switchover funding (\$65,633,000), the Community Broadcasting Program (\$29,106,000), the Information Communication Technology (ICT) - Centre of Excellence (\$23,100,000), Digital Productivity (\$6,714,000), Consumer Representation Grants Program (\$4,761,000) and Regional Equalisation Plan (\$4,618,000).

³ Other commitments mainly relate to contractors and outsourced services for Digital Switchover and Regional Telecommunications Review Response.

This schedule should be read in conjunction with the accompanying notes.

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NOTE	30: Special Accounts
NOTE	31: Reporting of Outcomes
NOTE	32: Budgetary Reports and Explanations of Major Variances

NOTE 1: Summary of Significant Accounting Policies

1.1 Objectives of the Department of Communications

The Department of Communications (the Department) is a Government controlled entity. It is a not-for-profit entity. The objective of the Department is to promote an innovative and competitive communications sector, through policy development, advice and program delivery, so all Australians can realise the full potential of digital technologies and communications services.

The Department is structured to meet one outcome:

Outcome 1: Promote an innovative and competitive communications sector, through policy development, advice and program delivery, so all Australians can realise the full potential of digital technologies and communications services

The continued existence of the Department in its present form and with its present programs is dependent on Government policy and on continuing funding by Parliament for the Department's administration and programs. In the 2014-15 Budget, the Government announced the decision to transfer the functions of the Telecommunications Universal Service Management Agency (TUSMA) to the Department. The Department established a working group to identify and address matters related to the transition. The working group addressed issues including: governance, legal, finance, people, risk management, contract management, programme delivery and systems.

Department activities contributing toward its outcome are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the Department in its own right. Administered activities involve the management or oversight by the Department, on behalf of the Government, of items controlled or incurred by the Government.

The Department is structured to deliver its outcome through a single programme: Digital Technologies and Communications Services. The Department provides strategic advice on and administers programmes and initiatives that promote an innovative and competitive communications sector so all Australians can realise the full potential of digital technologies and communications services. This includes advising on and facilitating:

- Opportunities arising from the innovative adoption and use of digital technologies
- The delivery of competitive and efficient digital infrastructure to drive growth in the broader economy
- Promotion of competition, while ensuring access to basic services, making available socially valuable content, and safeguarding consumers from inappropriate content.

1.2 Compliance with statutory requirements

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth [2014] HCA 23*, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

1.3 Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a) Financial Reporting Rule (FRR) for reporting periods ending on or after 1 July 2014; and
- b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FRR, assets and liabilities are recognised in the statement of financial position when and only when it is probable that future economic benefits will flow to the Department or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the contingencies note.

Unless an alternative treatment is specifically required by an accounting standard or FRR, income and expenses are recognised in the statement of comprehensive income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

1.4 Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the Department has made some judgements that do have a significant impact on the amounts recorded in the financial statements. Estimates made in relation to the departmental financial statements are to: non-financial assets; employee provisions; lease incentives; and the make-good for leased properties.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

In relation to Administered Investments in Australia Post, management estimates are used to determine volume and price growth rates that underpin the discounted cash flow valuation at the end of the reporting period. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial position reported in future periods.

1.5 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. No new standards, revised standards, interpretations or amending standards that were issued prior to the signing of the Statement by the Accountable Authority and Chief Financial Officer and were applicable to the current reporting period had a material financial impact or were expected to have a material future financial impact on the Department.

The AASB 1055 *Budgetary Reporting* requires the Department to report on budgetary information and explanation of significant variances between actual results and budgeted amounts. The Department has applied the new disclosure within the financial statements as outlined in Note 32: Budgetary Reports.

Future Australian Accounting Standard Requirements

No new standards, revised standards, interpretations and amending standards that were issued prior to the signing of the Statement by the Accountable Authority and the Chief Financial Officer and are applicable to future reporting periods are expected to have a material future financial impact on the Department.

1.6 Revenue

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the seller retains no managerial involvement nor effective control over the goods;
- the revenue and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the Department.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- the probable economic benefits associated with the transaction will flow to the Department.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance. Collectability of debts is reviewed at balance date. Impairment allowances are made when collectability of the debt is no longer probable.

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the Department gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

1.7 Gains

Resources Received Free of Charge

Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Contributions of assets at no cost of acquisition, or for nominal consideration, are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government agency or authority as a consequence of a restructuring of administrative arrangements (refer to Note 1.8).

Sale of Assets

Gains from disposal of non-current assets are recognised when control of the asset has passed to the buyer.

1.8 Transactions with the Government as Owner

Equity Injections

Amounts appropriated that are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Government agency or authority under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

Distributions to Owners

The FRR require that distributions to owners be debited to equity unless they are in the nature of a dividend.

1.9 Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of the end of reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave, as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Department is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Department's employer superannuation contribution rates, to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by using the Department of Finance's Short Hand Method as at 30 June 2015, as outlined in the FRR. The estimate of the present value of the liability takes into account expected attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The Department recognises a payable or provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

Staff of the Department are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other superannuation fund as elected by staff.

The CSS and PSS are defined benefit schemes of the Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The Department makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The Department accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

1.10 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract. A liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight line basis representative of the pattern of benefits derived from the leased assets.

Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

1.11 Fair Value Measurement

The Department deems transfers between levels of the fair value hierarchy to have occurred at the end of the reporting period.

1.12 Cash

Cash is recognised at its nominal amount. Cash and cash equivalents include:

- Cash on hand; and
- Cash in special accounts.

1.13 Financial Assets

The Department classifies financial assets as 'cash and cash equivalents', 'trade and other receivables' and 'other financial assets'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'trade and other receivables'.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated cash flows. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

1.14 Financial Liabilities

The Department's financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Supplier and Other Payables

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Grants and Subsidies Payable

Grants and subsidies made by the Department are recognised as liabilities and expenses only at the time that the recipient has met all obligations and conditions required in the grant or subsidy agreement.

Parental Leave Payments Scheme

The Department offsets amounts received under Parental Leave Payments Scheme (for payment to employees) by amounts paid to employees under that scheme, because these transactions are only incidental to the main revenue-generating activities of the Department. Amounts received by the Department not yet paid to employees are presented gross as cash and a liability (payable). Amounts attributable to the scheme only appear in the financial statements to the extent that they remain unpaid at year end.

1.15 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

1.16 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

1.17 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a related group that is significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make-good' provisions in property leases taken up by the Department where an obligation exists to restore the property to its original condition. These costs are included in the value of the Department's leasehold improvements with a corresponding provision for the 'make-good' recognised.

Revaluations

Fair values for each class of asset are determined as shown below:

Asset Class	Fair value measured at:
Land and buildings	Depreciated replacement cost
Property, plant and equipment	Market selling price or depreciated replacement cost

Following initial recognition at cost, property, plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through the Statement of Comprehensive Income. Revaluation decrements for a class of assets are recognised directly through the Statement of Comprehensive Income, except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Assets purchased during the financial year are excluded from asset revaluation as they represent fair value.

Depreciation

Depreciable property, plant and equipment are written-off to their estimated residual values over their estimated useful lives to the Department using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2015	2014
Land and Buildings		
• Leasehold improvements	Lower of 10 years or lease term	Lower of 10 years or lease term
Property, Plant and Equipment		
• Computer equipment	3 to 5 years	3 to 5 years
• Plant, office equipment, furniture & fittings	5 to 10 years	5 to 10 years

Impairment

All assets were assessed for impairment at 30 June 2015. Where indications of impairment existed, the asset's recoverable amount was estimated and an impairment adjustment made if the asset's recoverable amount was less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Department were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

1.18 Intangibles

The Department's intangibles comprise software externally purchased and internally developed software. These assets are carried at cost less accumulated amortisation and accumulated impairment losses. Software is amortised on a straight-line basis over its anticipated useful life.

The useful lives of the Department's software are:

	2015	2014
• Externally purchased software	3 to 5 years	3 to 5 years
• Internally developed software	3 to 5 years	3 to 5 years

All software assets were assessed for indications of impairment as at 30 June 2015.

1.19 Taxation

The Department is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

1.20 Reporting of Administered Activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Administered Cash Transfers to and from the Official Public Account

Revenue collected by the Department for use by the Government rather than the Department is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of the Government. These transfers to and from the OPA are adjustments to the administered cash held by the Department on behalf of the Government and reported as such in the Schedule of Administered Cash Flows and in the Administered Reconciliation Schedule.

Revenue

All administered revenues are revenues relating to the course of ordinary activities performed by the Department on behalf of the Government. As such, administered appropriations are not revenues of the individual entity that oversees distribution or expenditure of the funds as directed.

Dividends are recognised when the right to receive payment is established.

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

Rental Income is recognised over the term of the Indefeasible Rights of Use granted by the Commonwealth to external parties for use of the Administered Property, Plant and Equipment.

Administered Investments

Administered investments in subsidiaries, joint ventures and associates are not consolidated because their consolidation is relevant only at the Whole of Government level.

Administered investments, other than those held for sale, are classified as 'available for sale' and are measured at their fair value as at 30 June 2015. Apart from the Australian Postal Corporation, fair value has been taken to be the Australian Government's proportional interest in the net assets of the entities as at end of reporting period.

For 2014-15, fair value estimates for the Australian Postal Corporation are based on a discounted cash flow valuation calculated using cash flow forecasts extracted from the Australia Post Corporate Plan 2015/16 - 2018/19. The forecasts use management estimates to determine volume and price growth rates. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial position reported in future periods. For the 2013-14, fair value has been taken to be the net assets of Australia Post at the end of the reporting period, plus the difference between fair value and cost of Land and Buildings.

Guarantees

The amounts guaranteed by the Commonwealth have been disclosed in Note 25 to the extent that they are quantifiable.

At 30 June 2015, there is no reason to believe that the guarantees would be called upon and the likelihood of future settlement is considered remote, therefore, recognition of a liability is not required. The guarantees are in relation to NBN Co's financial obligations under the Definitive Agreements and are measured as follows:

Telstra Financial Guarantee: the total of committed future payments during the contract term for infrastructure accessed at 30 June 2015, calculated based on current pricing.

NBN Co's Equity Agreement: the sum of: total liabilities per NBN Co's Statement of Financial Position and the discounted value of the minimum contractual commitments entered into at 30 June 2015.

Optus Financial Guarantee: NBN Co's financial obligations under the Hybrid Fibre Coaxial (HFC) Subscriber Agreement for the period of the national broadband rollout in Optus Hybrid Fibre Coaxial areas at 30 June 2015.

Grants and Subsidies

The Department administers a number of grant and subsidy schemes on behalf of the Government.

Grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made. A commitment is recorded when the Commonwealth enters into an agreement to make these grants but services have not been performed or criteria satisfied.

Subsidy liabilities are recognised to the extent that the subsidy eligibility criteria have been satisfied, but payments due have not been made.

Payments to corporate Commonwealth entities

Payments to corporate Commonwealth entities from amounts appropriated for that purpose are classified as administered expenses, loans or an increase to the administered investment of the Department. The Department makes payments to both the Australian Broadcasting Corporation (ABC) and the Special Broadcasting Service Corporation (SBS). The appropriation to the Department is disclosed in Table A of the appropriations note.

Loans and Receivables

Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Property, Plant and Equipment

Revaluations

Fair values for Regional Backbone Blackspots Program (RBBP) network infrastructure assets under property, plant and equipment category are determined based on the depreciated replacement cost methodology. The methodology is calculated for each individual part of the asset using a price per unit adjusted for inflation, a quantity of each component and a location factor before being aggregated to form the values for each identified component of the assets: fibre optic cable, CEV shelters and BPol cabinets.

Revaluation adjustments of RBBP assets are made on a component basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through the Statement of Comprehensive Income. Revaluation decrements for a class of assets are recognised directly through the Statement of Comprehensive Income, except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation rates applying to property, plant and equipment are based on a useful life of 25-30 years (2014: 25-30 years).

In 2014-15, an independent valuer conducted a revaluation of these assets as at 31 March 2015.

Inventories

Inventories held for distribution are valued at cost, adjusted for any loss of service potential.

NOTE 2: Events after the Reporting Period

Departmental

The Telecommunications Universal Service Management Agency (TUSMA) was transitioned to the Department on 1 July 2015. The functions include the administration of the telecommunications universal service obligation, which provides for services such as public payphones and the National Relay Service for the hearing impaired. The reform is part of the Government's *Smaller Government Reform Agenda*, which was announced in the 2014-15 Budget in order to streamline the delivery of public services.

The Digital Transformation Office (DTO) was established as a separate portfolio agency and commenced operation on 1 July 2015. It forms part of the Communications Portfolio from that date.

There are no other events that occurred after reporting date that would materially affect the departmental financial statements.

Administered

The Telecommunications Universal Service Management Agency (TUSMA) was transitioned on 1 July 2015 with its functions transferred to the Department. The functions include the administration of the telecommunications universal service obligation, which provides for services such as public payphones and the National Relay Service for the hearing impaired. The reform is part of the Government's *Smaller Government Reform Agenda*, which was announced in the 2014-15 Budget in order to streamline the delivery of public services.

There are no other events that occurred after reporting date that would materially affect the administered financial statements.

	2015	2014
	\$'000	\$'000

NOTE 3: Net Cash Appropriation Arrangements

From 2010-11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.

Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations	(1,075)	2,000
Less: depreciation/amortisation expenses previously funded through revenue appropriation	(5,906)	(6,421)
Total comprehensive income - as per the Statement of Comprehensive Income	(6,981)	(4,421)

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
NOTE 4: Expenses		
<u>Note 4A: Employee Benefits</u>		
Wages and salaries	38,725	50,415
Superannuation		
Defined contribution plans	3,304	4,076
Defined benefit plans	4,122	5,638
Leave and other entitlements	4,088	4,840
Separation and redundancies	(570)	6,249
Performance pay	358	510
Other employee expenses	798	1,044
Total employee benefits	50,825	72,772
<u>Note 4B: Suppliers</u>		
Goods and services supplied or rendered		
Consultants/Contractors	14,956	11,885
Training and travel	2,287	2,186
IT Services	10,936	9,600
Office requisites	1,004	1,043
Property	1,534	1,200
Other goods and services	3,210	2,509
Total goods and services supplied or rendered	33,927	28,423
Goods supplied in connection with		
Related parties	519	797
External parties	2,615	2,512
Total goods supplied	3,134	3,309
Services rendered in connection with		
Related parties	2,981	1,536
External parties	27,812	23,578
Total service rendered	30,793	25,114
Total goods and services supplied or rendered	33,927	28,423
Other suppliers		
Operating lease rentals in connection with		
External parties		
Minimum lease payments	5,545	6,147
Workers compensation expenses	1,312	895
Total other suppliers	6,857	7,042
Total suppliers	40,784	35,465

	2015 \$'000	2014 \$'000
NOTE 4: Expenses (continued)		
<u>Note 4C: Depreciation and Amortisation</u>		
Depreciation:		
Property, plant and equipment	1,257	1,385
Land and buildings	1,696	1,579
Total depreciation	2,953	2,964
Amortisation:		
Intangibles: computer software - purchased	116	180
Intangibles: computer software - internally developed	2,837	3,277
Total amortisation	2,953	3,457
Total depreciation and amortisation	5,906	6,421
<u>Note 4D: Finance Costs</u>		
Unwinding of discount	65	52
Total finance costs	65	52
<u>Note 4E: Write-Down and Impairment of Assets</u>		
Asset write-downs and impairments from:		
Impairment of land and buildings	-	39
Impairment of property, plant and equipment	52	88
Impairment of intangibles	678	-
Total write-down and impairment of assets	730	127
<u>Note 4F: Losses from Asset Sales</u>		
Property, plant and equipment:		
Proceeds from sale	(4)	(4)
Carrying value of assets sold	6	7
Net losses from asset sales	2	3
<u>Note 4G: Other Expenses</u>		
Other	11	2
Total other expenses	11	2

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
NOTE 5: Own-Source Income		
Own-Source Revenue		
<u>Note 5A: Sale of Goods and Rendering of Services</u>		
Rendering of services in connection with		
Related parties	795	2,519
External parties	-	21
Total rendering of services	795	2,540
Total sale of goods and rendering of services	795	2,540
<u>Note 5B: Rental Income</u>		
Operating lease:		
Rental revenue	215	225
Total rental income	215	225
<u>Note 5C: Other Revenue</u>		
Freedom of information requests	-	3
Refunds from previous year payments	203	18
Total other revenue	203	21
<u>Note 5D: Sale of Assets</u>		
Property, plant and equipment:		
Proceeds from sale	8	-
Carrying value of assets sold	(2)	-
Net gain from sale of assets	6	-
<u>Note 5E: Other Gains</u>		
Resources received free of charge	390	575
Other	1	2
Total other gains	391	577
<u>Note 5F: Revenue from Government</u>		
Appropriations		
Departmental appropriations	91,377	106,089
Total revenue from Government	91,377	106,089

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

NOTE 6: Fair Value Measurements

The following tables provide an analysis of assets and liabilities that are measured at fair value. The different levels of the fair value hierarchy are defined below.
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Note 6A: Fair Value Measurements, Valuation Techniques and Inputs Used

	Fair value measurements at the end of the reporting period ¹		For Levels 2 and 3 fair value measurements			Sensitivity of the fair value measurements to changes in unobservable inputs
	2015 \$'000	2014 \$'000	Category (Level 1, 2 or 3) ²	Valuation Technique(s) ³	Inputs used	
Non-financial assets⁵						
Leasehold improvements						
Fit-outs	2,867	3,956	3	Depreciated Replacement Cost (DRC)	Replacement Cost New (price per square metre)	
Make good	378	1,617	3	Net Present Value	Consumed economic benefit/Obsolescence of asset Current obligation costs (price per square metre) Discount rate	A significant increase (decrease) in this consumed economic benefit / obsolescence of the asset would result in a significantly lower (higher) fair value measurement. \$155 - \$202 per square metre 1.91% - 2.16%
Property, plant and equipment	1,018	1,805	2	Market Approach	Indexation rates Adjusted market transactions	8.3% - 28.6% 1.51% - 2.50%
Property, plant and equipment	553	-	3	Market Approach	Adjusted market transactions	(15.0%) - 10.0%
Property, plant and equipment	881	2,519	3	Depreciated Replacement Cost (DRC)	Replacement Cost New	A significantly higher/(lower) market transaction may result in a significantly higher/(lower) fair value measurement.
Total non-financial assets	5,697	9,897				A significant increase/(decrease) in this consumed economic benefit/obsolescence of the asset would result in a significantly lower/(higher) fair value measurement. 8.3% - 52.2% (19.1%) per annum

<p>Department of Communications NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS <i>for the year ended 30 June 2015</i></p>	<p>¹ The Department did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2015.</p> <p>² The Department performs a test of the valuation model procedures at a minimum of once every 12 months as part of an asset materiality review, while a formal revaluation is undertaken once every three years. If a particular asset class experiences significant volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed materially since the previous reporting period), that asset class is subject to specific valuation in the reporting period, where practicable, regardless of the timing of the last specific valuation. Australian Valuation Solutions (AVS) has been engaged by the entity to undertake a full revaluation in 2015, and to confirm whether the models developed comply with AASB 13.</p> <p>³ There have been changes to the valuation techniques for assets in the property, plant and equipment category. In instances where sufficient observable inputs, such as market transactions of similar assets, were (not) identified in this financial year, the valuation technique was changed from a DRC (Market) approach to a Market (DRC) approach.</p> <p>⁴ The weighted average is determined by assessing the fair value measurement as a proportion of the total fair value for the class against the total useful life of each asset.</p> <p>⁵ The Department's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of all non-financial assets is considered their highest and best use.</p>
	<p>Note 6B: Level 1 and Level 2 transfers for recurring fair value measurements</p> <p>There have been no transfers between level 1 and 2 of the hierarchy during the year.</p> <p>The Department's policy for determining when transfers between levels are deemed to have occurred can be found in Note 1.</p>

Department of Communications NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015						
NOTE 6: Fair Value Measurements (continued)						
Note 6C: Reconciliation for Recurring Level 3 Fair Value Measurements						
	Leasehold improvements 2015 \$'000	Leasehold improvements 2014 \$'000	Property, plant and equipment 2015 \$'000	Property, plant and equipment 2014 \$'000	Total 2015 \$'000	Total 2014 \$'000
As at 1 July¹	5,573	6,269	2,519	3,214	8,092	9,483
Additions by purchase	154	114	-	589	154	703
Revaluation (decrements)/increments recognised in other comprehensive income	(786)	808	(256)	-	(1,042)	808
Impairments recognised in the Retained Surplus	-	(39)	(4)	(62)	(4)	(101)
Depreciation	(1,696)	(1,579)	(825)	(948)	(2,521)	(2,527)
Reclassification	-	-	-	(274)	-	(274)
Total as at 30 June	3,245	5,573	1,434	2,519	4,679	8,092

¹ Opening balance as determined in accordance with AASB 13.

² There have been no transfers between levels of the hierarchy during the year.

The Department's policy for determining when transfers between levels are deemed to have occurred can be found in Note 1.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
NOTE 7: Financial Assets		
<u>Note 7A: Cash and Cash Equivalents</u>		
Cash on hand or on deposit	655	576
Total cash and cash equivalents	655	576
<u>Note 7B: Trade and Other Receivables</u>		
Goods and services receivables in connection with		
Related parties	395	158
External parties	-	13
Total goods and services receivables	395	171
Appropriations receivables		
Existing programs	18,430	24,110
Total appropriations receivable	18,430	24,110
Other receivables		
GST receivable from the Australian Taxation Office	1,026	922
Other:		
- employees	7	5
- related entities	96	-
Total other receivables	1,129	927
Total trade and other receivables (gross)	19,954	25,208
Total trade and other receivables (net)	19,954	25,208
Trade and other receivables (gross) are aged as follows:		
Not overdue	19,843	25,070
Overdue by:		
0 to 30 days	104	-
31 to 60 days	-	133
More than 90 days	7	5
Total trade and other receivables (gross)	19,954	25,208

All receivables are expected to be recovered in no more than 12 months.
Credit terms for goods and services were within 30 days (2014: 30 days).
The Department has not allocated an amount to an impairment allowance in 2015 (2014: nil).

NOTE 7: Financial Assets (continued)

Note 7B: Trade and Other Receivables (continued)

Reconciliation of the Impairment Allowance

There were no movements in the impairment allowance account in 2014 or 2015.

Note 7C: Other Financial Assets

Accrued revenue - goods and services

Total accrued revenue

2015	2014
\$'000	\$'000
366	-
366	-

All accrued revenues are expected to be recovered in no more than 12 months.

	2015 \$'000	2014 \$'000
NOTE 8: Non-Financial Assets		
<u>Note 8A: Land and Buildings</u>		
Land and Buildings		
Fair value	3,056	8,236
Accumulated depreciation	-	(2,698)
Work in progress	189	35
Total land and buildings	3,245	5,573

Revaluations of land and buildings

All revaluations are conducted in accordance with the revaluation policy stated in Note 1. An independent valuer conducted the revaluations as at 30 June 2015.

Revaluation decrements of \$786,000 for buildings and leasehold improvements (2014: increments of \$808,000) were debited to the asset revaluation reserve and included in the equity section of the Statement of Financial Position; no increments/decrements were recognised (2014: nil).

Assets purchased during 2014-15 were excluded from the asset revaluation because they represent fair value. Depreciation associated with these assets was recorded for the year. The net book value of these assets as at 30 June 2015 was \$154,000.

	2015 \$'000	2014 \$'000
<u>Note 8B: Property, Plant and Equipment</u>		
Property, plant and equipment		
Fair value	2,305	6,757
Accumulated depreciation	-	(2,658)
Work in progress	147	225
Total property, plant and equipment	2,452	4,324

As at 30 June 2015, several items of property, plant and equipment were found to be impaired and subsequently written down. The net book value of these assets was \$52,000.

Revaluations of property, plant and equipment

All revaluations are conducted in accordance with the revaluation policy stated in Note 1. An independent valuer conducted the revaluations as at 30 June 2015.

Revaluation decrements of \$651,000 for property, plant and equipment (2014: nil) were debited to the asset revaluation reserve and included in the equity section of the Statement of Financial Position; no increments/decrements were expensed (2014: nil).

Assets purchased during 2014-15 were excluded from the asset revaluation because they represent fair value. Depreciation associated with these assets was recorded for the year. The net book value of these assets as at 30 June 2015 was \$95,000.

NOTE 8: Non-Financial Assets (continued)

Note 8C: Reconciliation of the opening and closing balances of Property, Plant and Equipment for 2015

	Land and buildings \$'000	Property plant and equipment \$'000	Total \$'000
As at 1 July 2014			
Gross book value	8,271	6,982	15,253
Accumulated depreciation and impairment	(2,698)	(2,658)	(5,356)
Total as at 1 July 2014	5,573	4,324	9,897
Additions			
Purchase or internally developed	154	94	248
Revaluations recognised in other comprehensive income	(786)	(651)	(1,437)
Disposals recognised in net cost of services	-	(52)	(52)
Assets held for sale or in a disposal group held for sale	-	(6)	(6)
Depreciation	(1,696)	(1,257)	(2,953)
Total as at 30 June 2015	3,245	2,452	5,697
Total as at 30 June 2015 represented by:			
Gross book value	3,245	2,452	5,697
Accumulated depreciation and impairment	-	-	-
Total as at 30 June 2015	3,245	2,452	5,697

Note 8C: Reconciliation of the opening and closing balances of Property, Plant and Equipment for 2014

	Land and buildings \$'000	Property, plant and equipment \$'000	Total \$'000
As at 1 July 2013			
Gross book value	8,817	6,865	15,682
Accumulated depreciation and impairment	(2,548)	(1,543)	(4,091)
Total as at 1 July 2013	6,269	5,322	11,591
Additions			
Purchase or internally developed	114	771	885
Revaluations and impairments recognised in other comprehensive income	808	-	808
Impairments recognised in net cost of services	(39)	(88)	(127)
Reclassifications	-	(289)	(289)
Depreciation	(1,579)	(1,385)	(2,964)
Disposals	-	(7)	(7)
Total as at 30 June 2014	5,573	4,324	9,897
Total as at 30 June 2014 represented by:			
Gross book value	8,271	6,982	15,253
Accumulated depreciation and impairment	(2,698)	(2,658)	(5,356)
Total as at 30 June 2014	5,573	4,324	9,897

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
NOTE 8: Non-Financial Assets (continued)		
<u>Note 8D: Intangibles</u>		
Computer software		
Purchased	1,313	2,399
Internally developed - in progress	3,771	1,317
Internally developed - in use	14,278	15,963
Accumulated amortisation	(10,812)	(11,262)
Total intangibles	8,550	8,417

As at 30 June 2015, several items of intangible assets were found to be impaired and subsequently written down. The net book value of these assets was \$678,000 (2014: nil).

NOTE 8: Non-Financial Assets (continued)

Note 8E: Reconciliation of the opening and closing balances of Intangibles for 2015

	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2014			
Gross book value	17,280	2,399	19,679
Accumulated amortisation and impairment	(9,059)	(2,203)	(11,262)
Total as at 1 July 2014	8,221	196	8,417
Additions			
Purchase or internally developed	3,758	6	3,764
Impairments recognised in net cost of services	(678)	-	(678)
Amortisation	(2,837)	(116)	(2,953)
Total as at 30 June 2015	8,464	86	8,550
Total as at 30 June 2015 represented by:			
Gross book value	18,049	1,313	19,362
Accumulated amortisation and impairment	(9,585)	(1,227)	(10,812)
Total as at 30 June 2015	8,464	86	8,550

Note 8E: Reconciliation of the opening and closing balances of Intangibles 2014

	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2013			
Gross book value	14,465	2,388	16,853
Accumulated amortisation and impairment	(5,782)	(2,023)	(7,805)
Total as at 1 July 2013	8,683	365	9,048
Additions			
Purchase or internally developed	2,537	-	2,537
Reclassifications	278	11	289
Amortisation	(3,277)	(180)	(3,457)
Total as at 30 June 2014	8,221	196	8,417
Total as at 30 June 2014 represented by:			
Gross book value	17,280	2,399	19,679
Accumulated amortisation and impairment	(9,059)	(2,203)	(11,262)
Total as at 30 June 2014	8,221	196	8,417

	2015	2014
	\$'000	\$'000
NOTE 8: Non-Financial Assets (continued)		
<u>Note 8F: Other Non-Financial Assets</u>		
Prepayments	908	1,542
Total other non-financial assets	908	1,542
Other non-financial assets expected to be recovered		
No more than 12 months	908	1,542
Total other non-financial assets	908	1,542

No indicators of impairment were found for other non-financial assets.

	2015 \$'000	2014 \$'000
NOTE 9: Payables		
<u>Note 9A: Suppliers</u>		
Trade creditors and accruals	8,338	2,781
Operating lease rentals	1,283	873
Total suppliers	9,621	3,654
Supplier expected to be settled		
No more than 12 months	8,512	2,781
More than 12 months	1,109	873
Total suppliers	9,621	3,654
Suppliers in connection with		
Related parties	736	176
External parties	8,885	3,478
Total suppliers	9,621	3,654
Payables are expected to be settled in 30 days.		
<u>Note 9B: Lease Incentives</u>		
Lease incentives	469	256
Total lease incentives	469	256
Lease incentives are expected to be settled		
Within 1 year	68	157
Between 1 to 5 years	401	99
Total lease incentives	469	256
<u>Note 9C: Other Payables</u>		
Wages and salaries	1,448	1,557
Superannuation	253	274
Separations and redundancies	526	661
Payables - employees	374	349
Other payables	65	130
Total other payables	2,666	2,971

All other payables are expected to be settled in no more than 12 months.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
NOTE 10: Provisions		
Note 10A: Employee Provisions		
Leave	16,483	20,038
Separations and redundancies	183	4,803
Total employee provisions	16,666	24,841
Employee provisions are expected to be settled		
No more than 12 months	5,124	6,384
More than 12 months	11,542	18,457
Total employee provisions	16,666	24,841
Note 10B: Other Provisions		
Provision for make-good ¹	1,891	1,617
Other provisions ²	2,286	2,286
Total other provisions	4,177	3,903
Other provisions are expected to be settled		
No more than 12 months	2,557	2,651
More than 12 months	1,620	1,252
Total other provisions	4,177	3,903

	Provision for make-good \$'000	Other Provisions \$'000	Total \$'000
As at 1 July 2014	1,617	2,286	3,903
Additional provisions made	209	-	209
Unwinding of discount or change in discount rate	65	-	65
Total as at 30 June 2015	1,891	2,286	4,177

¹ The Department currently has four (2014: four) agreements for the leasing of premises that have provisions requiring the department to restore the premises to their original condition at the conclusion of the lease. The Department has made a provision to reflect the present value of this obligation.

² Following the termination of its agreement with OPEL Network Pty Ltd (OPEL) under the Broadband Connect program in 2008-09, the Department has made provision towards costs incurred by OPEL in producing its implementation plan.

NOTE 11: Restructuring

Note 11A: Departmental Restructuring

	2015	2014	
	Australian New Zealand Land Information Special Account, The Department of Industry and Science	Office of Spatial Policy, The Department of Industry ¹	Indigenous Programs, The Department of the Prime Minister and Cabinet ²
	\$'000	\$'000	\$'000
FUNCTIONS ASSUMED			
Assets recognised			
Cash		329	-
Total assets recognised	-	329	-
Liabilities recognised			
Provisions - employees		389	-
Total liabilities recognised	-	389	-
Net liabilities recognised³	-	(60)	-
Income assumed			
Recognised by the receiving entity	-	-	-
Recognised by the losing entity	-	-	-
Total income assumed	-	-	-
Expenses assumed			
Recognised by the receiving entity		263	-
Recognised by the losing entity		1,478	-
Total expenses assumed	-	1,741	-
FUNCTIONS RELINQUISHED			
Assets relinquished			
Appropriation Receivable	-	-	456
Total assets relinquished	-	-	456
Liabilities relinquished			
Provision - Leave	-	-	456
Total liabilities relinquished	-	-	456
Net liabilities relinquished⁴	-	-	-

¹ The Department assumed responsibility for the Office of Spatial Policy from the Department of Industry following a restructuring of administrative arrangements, effective 2 April 2014.

² The Department relinquished responsibility for the Indigenous Programs (Indigenous Communications Program and Indigenous Broadcasting Program) to the Department of the Prime Minister and Cabinet following a restructuring of administrative arrangements, effective 18 September 2013.

³ In respect of functions assumed, the net book values of assets and liabilities were transferred to the entity for no consideration.

⁴ In respect of functions relinquished, the net book values of assets and liabilities were transferred for no consideration.

Note 11B: Administered Restructuring

	2015	2014	
	Australian New Zealand Land Information Special Account, The Department of Industry and Science ¹	Office of Spatial Policy, The Department of Industry	Indigenous Programs, The Department of the Prime Minister and Cabinet ²
	\$'000	\$'000	\$'000
FUNCTIONS RELINQUISHED			
Income			
Recognised by the losing entity	-	-	11
Total income relinquished	-	-	11
Expenses			
Recognised by the losing entity	-	-	8,077
Total expenses relinquished	-	-	8,077
FUNCTIONS ASSUMED			
Assets recognised			
Special Account - ANZLI	133	-	-
Total assets recognised	133	-	-
Net assets/(liabilities) assumed	133	-	-

¹ The Department assumed responsibility for the Australian New Zealand Land Information (ANZLI) Special Account from the Department of Industry and Science (DIS) as a result of the Prime Minister's decision to transfer the Office of Spatial Policy functions from Industry to Communications effective 1 July 2014.

² The Department relinquished responsibility for the Indigenous Programs (Indigenous Communications Program and Indigenous Broadcasting Program) to the Department of the Prime Minister and Cabinet following a restructuring of administrative arrangements, effective 18 September 2013.

	2015 \$'000	2014 \$'000
NOTE 12: Cash Flow Reconciliation		
Reconciliation of cash and cash equivalents as per statement of financial position to cash flow statement		
Cash and cash equivalents as per		
Cash Flow Statement	655	576
Statement of Financial Position	655	576
	-	-
Reconciliation of net cost of services to net cash from/(used by) operating activities		
Net cost of services to net cash used by operating activities	(96,713)	(111,479)
Revenue from Government	91,377	106,089
Adjustments for non-cash items		
Depreciation/amortisation	5,906	6,421
Net write-down of non-financial assets	730	127
Adjustment for changes in accounting estimates	(210)	161
Loss on disposal of assets	(4)	3
Return of Appropriations	(10,731)	(55,520)
Restructuring	-	(20)
Undrawn capital appropriations	6,483	1,983
Adjustment to opening balance - appropriation reduction	(267)	-
Movements in assets and liabilities		
Assets		
Decrease in net receivables	5,254	57,690
(Increase)/Decrease in accrued revenue	(366)	16
Decrease/(Increase) in non-financial assets	634	(153)
Liabilities		
Increase/(Decrease) in supplier payables	5,967	(4,176)
Increase in lease incentives	213	158
(Decrease) in other payables	(305)	(2,198)
(Decrease)/Increase in employee provisions	(8,175)	1,211
Increase/(Decrease) in other provisions	274	(329)
Net cash from/(used by) operating activities	67	(16)

NOTE 13: Contingent Assets and Liabilities

Quantifiable Contingencies

There are no quantifiable contingencies as at 30 June 2015 (2014: nil).

Unquantifiable Contingencies

There are no unquantifiable contingencies as at 30 June 2015 (2014: nil).

Significant Remote Contingencies

Operating Leases and Car Parking Licences

The Commonwealth indemnifies third parties against loss in relation to operating leases for accommodation, storage and some car parking. The Commonwealth also indemnifies some third parties against loss in relation to car parking facilities acquired under car parking licence agreements. As at 30 June 2015, no claims have been made.

National Broadband Network Panel of Experts and Strategic Adviser

The Commonwealth provided indemnities to the non-Commonwealth members of the National Broadband Network (NBN) Panel of Experts and the Strategic Adviser to the NBN Request for Proposal process (RFP), to protect them against civil claims that may arise in the course of performing their duties. The NBN RFP process was terminated on 7 April 2009 and the work of the panel and the Strategic Adviser has concluded. As at 30 June 2015, no claims have been made.

Westpac Banking Corporation

The Commonwealth indemnifies Westpac Banking Corporation against loss reasonably incurred in relation to Departmental banking functions. In June 2010, the Department entered into a new banking contract with Westpac that provided for an indemnity capped at \$50 million per occurrence. The previous contract provided for an indemnity capped at \$25 million per occurrence. As at 30 June 2015, no claims have been made.

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	2015	2014
	\$	\$
NOTE 14: Senior Management Personnel Remuneration		
Short-term employee benefits		
Salary	5,063,427	5,947,876
Motor vehicle and other allowances	759,653	1,067,418
Total short-term employee benefits	5,823,080	7,015,294
Post-employment benefits		
Superannuation	981,242	1,302,460
Total post-employment benefits	981,242	1,302,460
Other long-term employee benefits		
Annual leave accrued	431,158	552,408
Long-service leave	195,256	341,071
Total other long-term employee benefits	626,414	893,479
Termination benefits		
Voluntary redundancy payments	357,651	-
Total termination benefits	357,651	-
Total senior executive remuneration expenses	7,788,387	9,211,233

The total number of senior management personnel included in the above table is 33 individuals (2014: 39 individuals).

	2015	2014
	\$'000	\$'000

NOTE 15: Remuneration of Auditors

Financial statement audit services were provided free of charge to the Department by the Australian National Audit Office (ANAO).

Fair value of the services provided:

Financial statement audit services	390	380
Total	390	380

No other services were provided by the auditors of the financial statements.

	2015 \$'000	2014 \$'000
NOTE 16: Financial Instruments		
Note 16A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	655	576
Receivables - good and services	395	171
Receivables - employees	7	5
Receivables - related entities ¹	96	-
Total loans and receivables	1,153	752
Total financial assets	1,153	752
Financial Liabilities		
Financial liabilities measured at amortised cost		
Payables - goods and services	8,338	2,781
Payables - related entities ²	374	349
Payables - others	78	64
Total financial liabilities measured at amortised cost	8,790	3,194
Total financial liabilities	8,790	3,194

¹ Receivables from related entities relate to the transfer of employee provisions.

² Payables to related entities relate to the transfer of employee liabilities.

Note 16B: Fair Value of Financial Instruments

	Carrying amount 2015 \$'000	Fair value 2015 \$'000	Carrying amount 2014 \$'000	Fair value 2014 \$'000
Financial Assets				
Cash and cash equivalents	655	655	576	576
Receivables - good and services	395	395	171	171
Receivables - employees	7	7	5	5
Receivables - related entities	96	96	-	-
Total financial assets	1,153	1,153	752	752
Financial Liabilities				
Payables - goods and services	8,338	8,338	2,781	2,781
Payables - employees	374	374	349	349
Payables - other	78	78	64	64
Total financial liabilities	8,790	8,790	3,194	3,194

NOTE 16: Financial Instruments (continued)

Note 16C: Credit Risk

The Department is not exposed to a high level of credit risk as the majority of financial assets are cash and receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. The carrying amount of trade debtors and other receivables, net of impairment losses, represents the Department's maximum exposure to credit risk as \$498,000 (2014: \$176,000). The Department has assessed the risk of the default on payment and has not allocated an amount to an impairment allowance in 2015 (2014: nil).

The Department manages its credit risk by undertaking background and credit checks prior to entering a debtor relationship. In addition, the Department has policies and procedures that guide debt recovery activities.

The Department holds no collateral to mitigate against credit risk.

Included in the Department's receivables balance are debtors with a carrying amount of \$111,000 (2014: \$138,000) that are past due at the reporting date and for which the Department has not provided. Based on experience, the Department considers that the amounts are still recoverable.

Credit quality of financial instruments not past due or individually determined as impaired

	Not past due nor Impaired 2015 \$'000	Not past due nor Impaired 2014 \$'000	Past due or impaired 2015 \$'000	Past due or impaired 2014 \$'000
Loans and receivables¹				
Cash and cash equivalents	655	576	-	-
Receivables - good and services	291	38	104	133
Receivables - employees	-	-	7	5
Receivables - related entities	96	-	-	-
Total	1,042	614	111	138

Ageing of financial assets that were past due but not impaired in 2015

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Loans and receivables					
Receivables - employees	104	-	-	7	111
Total	104	-	-	7	111

Ageing of financial assets that were past due but not impaired in 2014

Loans and receivables					
Receivables - good and services	-	133	-	-	133
Receivables - employees	-	-	-	5	5
Total	-	133	-	5	138

NOTE 16: Financial Instruments (continued)

Note 16D: Liquidity Risk

The Department's financial liabilities consist of payables. The exposure to liquidity risk is based on the notion that the Department may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding mechanisms. The Department is appropriated funding from the Australian Government and manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the Department has policies in place to ensure timely payments are made when due and has no experience of default.

All financial liabilities are payable within one year.

The Department has no derivative financial liabilities in both the current and prior year.

Note 16E: Market Risk

The Department holds basic financial instruments that do not expose it to certain market risks.

The Department is not exposed to 'currency risk' or 'other price risk'.

The Department does not have any interest-bearing items on the Statement of Financial Position. Therefore, the Department is not exposed to 'interest rate risk'.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
NOTE 17: Financial Assets Reconciliation			
<u>Financial assets</u>			
Total financial assets as per statement of financial position		20,975	25,784
Less: Non-financial instrument components			
Appropriations receivables	7B	18,430	24,110
GST receivable	7B	1,026	922
Accrued Revenue	7C	366	-
Total non-financial instrument components		19,822	25,032
Total financial assets as per financial instruments note	16A	1,153	752

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
NOTE 18: Administered - Expenses		
<u>Note 18A: Suppliers</u>		
Goods and services supplied or rendered		
Advertising and marketing	6,496	16,404
Committee	3	-
Computing and communications	7	7
Consultants and contractors	1,788	18,636
Office requisites	-	65
Other goods and services	19	142
Property	3,314	3,314
Total goods and services supplied or rendered	11,627	38,568
Goods and services supplied in connection with		
Related entities	2	450
External parties	11,625	38,118
Total goods and services supplied or rendered	11,627	38,568
<u>Note 18B: Subsidies</u>		
Subsidies in connection with		
External parties		
Regional Telecommunications Review Response	1	2,375
Digital Switchover Television	(134)	2,388
Total subsidies	(133)	4,763
<u>Note 18C: Grants</u>		
Public sector		
Australian Government entities (related entities)	1,855	1,350
State and Territory Governments	356	666
Local Governments	5,195	7,553
Private sector		
Non-profit organisations	46,464	55,278
Commercial entities	57,979	69,073
Total grants	111,849	133,920
<u>Note 18D: Depreciation and Amortisation</u>		
Depreciation		
Property, plant and equipment	7,865	7,741
Total depreciation	7,865	7,741
Amortisation		
Assets held under finance leases	126	38
Total amortisation	126	38
Total depreciation and amortisation	7,991	7,779
<u>Note 18E: Finance Costs</u>		
Concessional loan discount	3,269	-
Total finance costs	3,269	-

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
NOTE 18: Administered - Expenses (continued)		
<u>Note 18F: Payments to corporate Commonwealth entities</u>		
Australian Broadcasting Corporation	1,063,215	1,053,853
Special Broadcasting Service Corporation	285,937	269,772
Total payments to corporate Commonwealth entities	1,349,152	1,323,625
<u>Note 18G: Other Expenses</u>		
International membership fees	6,355	5,739
Other expenses	9	-
Total other expenses	6,364	5,739
NOTE 19: Administered - Income		
Revenue		
Non-Taxation Revenue		
<u>Note 19A: Interest</u>		
Loans	1,272	358
Other	40	1
Total interest	1,312	359
<u>Note 19B: Dividends</u>		
Australia Post dividends	-	142,300
Total dividends	-	142,300
<u>Note 19C: Rental Income</u>		
Operating lease	1,529	1,529
Total rental income	1,529	1,529
<u>Note 19D: Other Revenue</u>		
Grant refunds	423	259
Subsidy refunds	1	-
Other revenue	5	222
Total other revenue	429	481
Gains		
<u>Note 19E: Other Gains</u>		
Gain on sales of the assets	990	-
Other	(1)	-
Total other gains	989	-

Department of Communications
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of the year ended 30 June 2015

NOTE 20: Fair Value Measurements

The following table provides an analysis of assets and liabilities that are measured at fair value. The different levels of fair value hierarchy are defined as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liabilities.

Note 20A: Fair Value Measurements, Valuation Techniques and Inputs Used

	Fair value measurements at the end of the reporting period ¹			For Levels 2 and 3 fair value measurement			Sensitivity of the fair value measurement to change in unobservable inputs
	2015	2014	Category (Level 1, 2 or 3) ²	Valuation Technique(s) ³	Inputs used	Range (\$'000)	
Financial assets⁵							
Receivables - loans to corporate Commonwealth entities	69,437	40,103	2	Discounted cash flow (DCF)	Future principal and interest cash flows Market rate of interest		
Available for sale financial assets⁶							
Investment in Australian Broadcasting Corporation and controlled entities	1,021,100	1,055,091	3	Net asset balance	Net assets of the entity	N/A	
Investment in Special Broadcasting Corporation and controlled entities	199,305	198,541	3	Net asset balance	Net assets of the entity	N/A	
Investment in NBN Co	7,708,000	4,923,976	3	Net asset balance	Net assets of the entity	N/A	WACC Rate mvmnt The estimated fair value would increase (decrease) if: WACC Rate mvmnt • the weighted average cost of capital +0.40% (154,900) was higher (lower), and/or WACC Rate mvmnt -0.50% 200,400 WACC Rate mvmnt +0.50% (189,400) WACC Rate mvmnt -1.00% 441,600 WACC Rate mvmnt +1.00% (349,100)
Investment in Australian Postal Corporation	2,321,600	2,528,300	3	Discounted cash flow (DCF)	Future principal and interest cash flows Market rate of interest Weighted Average Cost of Capital (WACC) Commencement date of postal reforms		• the Pricing Notification decision Delay of 3 months process outcomes were decided (280,000) earlier (later).
Total financial assets	11,319,442	8,744,011					

Department of Communications NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2015						
NOTE 20: Fair Value Measurements (continued)						
Note 20A: Fair Value Measurements, Valuation Techniques and Inputs Used						
		Fair value measurements at the end of the reporting period ¹		For Levels 2 and 3 fair value measurement		
		2015 \$'000	2014 \$'000	Category (Level 1, 2 or 3) ²	Valuation Technique(s) ³	Inputs used
						Range (weighted average) ⁴
						Sensitivity of the fair value measurement to change in unobservable inputs
Non-financial assets⁵						
Property, plant and equipment						
		172,144	179,779	3	Depreciated Replacement Cost (DRC)	Replacement cost per unit for the following asset components:
						- Fibre optic cable (per km) (\$6.57)
						- Controlled environment vault shelters (per section) (\$324.46)
						- Bpol cabinets (per cabinet) (\$615.65)
						Remaining useful life (in years) 11 – 26 (23)
						Inflation factor 0.86% - 1.28% (1.13%)
						Installation cost per section of network (\$492.73 - \$1,117.20 (\$562.87)
						Installation cost per cabinet \$35.98 - \$154.05 (\$110.30)
Total non-financial assets		172,144	179,779			
Total assets		11,491,586	8,923,790			

NOTE 20: Fair Value Measurements (continued)

¹ The Department did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2015.

² Significant Level 3 inputs utilised by the Department are derived and evaluated as follows: assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the cost (Depreciated Replacement Cost or DRC) approach. Under the DRC approach the estimated cost to replace the asset is calculated and then adjusted to take into account its consumed economic benefit/asset obsolescence (accumulated Depreciation). Consumed economic benefit/asset obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration.

³ There have been no changes to the valuation techniques during the period, except for the change from the Fair Value of Net Assets to the Discounted Cash Flow (DCF) methodology for the investment in the Australian Postal Corporation (refer Note 1 Administered Investments). This is due to the nature of the assumptions, particularly those surrounding the Community Service Obligation of Australia Post, being addressed by Government Reform, which has significantly reduced the uncertainty around the valuation outcome from the prior year. As per AASB13 the change to the income approach, in this case the Discounted Cash Flow (DCF) method, is appropriate when it results in a measurement that is more representative of fair value. Per AASB13.B10 when using an income approach, fair value reflects current market expectations about the future amounts. Significant unobservable inputs for the DCF include Weighted Average Cost of Capital (7.5%) and commencement date of 4 January 2016 for application of the postal reforms.

⁴ Significant unobservable inputs only. Not applicable for assets or liabilities in the Level 2 category. The weighted average is determined by assessing the fair value measurement as a proportion of the total fair value for the class against the total useful life of each asset.

⁵ The current use of all non-financial assets is considered their highest and best use.

⁶ Administered investments valuations are based on the audited net asset balance with the exception of the Australian Postal Corporation, which is based on the discounted cash flow methodology.

NOTE 20: Fair Value Measurements (continued)

Note 20B: Reconciliation for recurring Level 3 fair value measurements

Recurring Level 3 fair value measurements - reconciliation for assets

	Financial assets		Non-financial assets		Total	
	Administered Investments		Property, plant and equipment			
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
As at 1 July¹	8,703,908	6,810,647	179,779	181,883	8,883,687	6,992,540
Revaluation (decrements)/increments recognised in other comprehensive income	(2,206,279)	(1,286,945)	1,061	5,665	(2,205,218)	(1,281,280)
Equity injections	4,767,000	3,193,300	-	-	4,767,000	3,193,300
Returns to the Consolidated Revenue Fund (CRF)	(14,625)	(13,094)	-	-	(14,625)	(13,094)
Depreciation	-	-	(7,991)	(7,779)	(7,991)	(7,779)
Other ²	1	-	(705)	-	(704)	-
Total as at 30 June³	11,250,005	8,703,908	172,144	179,779	11,422,149	8,883,687

¹ Opening balance as determined in accordance with AASB 13.

² Included in the other movement for Property, Plant and Equipment is \$705,000 relating to the indefeasible rights of use (IRUs), relating to network infrastructure assets, issued by the Commonwealth to the Department of Defence in October 2014.

³ Extra details in Notes 21B, 22A and 22B.

NOTE 21: Administered - Financial Assets

FINANCIAL ASSETS

Note 21A: Receivables

Advances and loans:

Loans to corporate Commonwealth entities ¹	67,468	40,240
Total advances and loans	67,468	40,240

Other receivables:

GST receivable from the Australian Taxation Office	801	5,140
Other	-	391

Total other receivables	801	5,531
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Total receivables (gross)	68,269	45,771
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Total receivables (net)	68,269	45,771
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Receivables (net) expected to be recovered

No more than 12 months	1,143	5,771
More than 12 months	67,126	40,000

Total receivables (net)	68,269	45,771
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Receivables (gross) aged as follows

Not overdue	68,269	45,770
Overdue by:		

More than 90 days	-	1
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Total receivables (gross)	68,269	45,771
----------------------------------	---------------	---------------

¹ Loans to corporate Commonwealth entities were made under financial assistance legislation for periods up to 12 years. No security is required. Interest rates are fixed. Principal and interest are repaid annually in arrears. Effective interest rates average 2.54% (2014: 3.46%).

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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NOTE 21: Administered - Financial Assets (continued)

Reconciliation of the Impairment Allowance

	Other receivables \$'000	Total \$'000
Movements in relation to 2015		
As at 1 July 2014	-	-
Amounts written off	-	-
Decrease recognised in net cost of services	-	-
Total as at 30 June 2015	-	-
Movements in relation to 2014		
As at 1 July 2013	22	22
Decrease recognised in net cost of services	(22)	(22)
Total as at 30 June 2014	-	-

	Notes	2015 \$'000	2014 \$'000
Note 21B: Other Investments			
Commonwealth authorities:			
Australian Broadcasting Corporation ¹	26A	1,021,100	1,055,091
Australian Postal Corporation ²	26B	2,321,600	2,526,300
Special Broadcasting Service Corporation ¹	26C	199,305	198,541
		3,542,005	3,779,932
Commonwealth companies:			
NBN Co	26D	7,708,000	4,923,976
		7,708,000	4,923,976
Total other investments		11,250,005	8,703,908

¹ Administered investment valuations are based on the audited net asset balance.

² Administered investment valuation in the Australian Postal Corporation for 2015 is based on the discounted cash flow methodology (2014: fair value of net assets methodology).

Note 21C: Other Financial Assets

Accrued revenue - Grants refunds	12	-
Total accrued revenue	12	-

NOTE 22: Administered - Non-Financial Assets

Note 22A: Property, Plant and Equipment

Property, plant and equipment

Fair value	172,270	182,713
Accumulated depreciation	(126)	(2,934)
Total property, plant and equipment	172,144	179,779

No indicators of impairment were found for property, plant and equipment.

No property, plant or equipment is expected to be sold or disposed of within the next 12 months.

Revaluation of non-financial assets

Revaluation increments of \$1,061,000 for property, plant and equipment (2014: \$5,665,000) were credited to the asset revaluation reserve and included in the equity section of the Schedule of Assets and Liabilities; no increments/decrements were expensed (2014: nil).

All revaluations were conducted in accordance with the revaluation policy stated at Note 1.20. An independent valuer conducted the revaluations as at 31 March 2015.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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NOTE 22: Administered - Non-Financial Assets (continued)

Note 22B: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2015)

	Property, plant and equipment \$'000	Total \$'000
As at 1 July 2014		
Gross book value	182,713	182,713
Accumulated depreciation/amortisation and impairment	(2,934)	(2,934)
Total as at 1 July 2014	179,779	179,779
Revaluations recognised in other comprehensive income	1,061	1,061
Depreciation/amortisation expense	(7,991)	(7,991)
Other Movements ¹	(705)	(705)
Total as at 30 June 2015	172,144	172,144
Total as at 30 June 2015 represented by:		
Gross book value	172,270	172,270
Accumulated depreciation/amortisation and impairment	(126)	(126)
Total as at 30 June 2015	172,144	172,144

¹ Other movements in Property, Plant and Equipment relate to the indefeasible rights of use (IRUs), relating to network infrastructure assets, issued by the Commonwealth to the Department of Defence in October 2014.

Note 22B: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2014)

	Property, plant and equipment \$'000	Total \$'000
As at 1 July 2013		
Gross book value	192,653	192,653
Accumulated depreciation/amortisation and impairment	(10,760)	(10,760)
Total as at 1 July 2013	181,893	181,893
By purchase		
By finance lease		
Revaluations recognised in other comprehensive income	5,665	5,665
Depreciation/amortisation expense	(7,779)	(7,779)
Total as at 30 June 2014	179,779	179,779
Total as at 30 June 2014 represented by:		
Gross book value	182,713	182,713
Accumulated depreciation/amortisation and impairment	(2,934)	(2,934)
Total as at 30 June 2014	179,779	179,779

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	2015 \$'000	2014 \$'000
NOTE 22: Administered - Non-Financial Assets (continued)		
<u>Note 22C: Other Non-Financial Assets</u>		
Lease prepayments ¹	4,458	7,772
Other prepayments	2,696	2,609
Total other non-financial assets	7,154	10,381
Other non-financial assets are expected to be recovered		
No more than 12 months	5,792	5,923
More than 12 months	1,362	4,458
Total other non-financial assets	7,154	10,381
¹ Lease prepayments relate to the operation and maintenance obligation relating to infrastructure assets. The contractor is required to operate and maintain Commonwealth assets for a period of five years at no cost to the Commonwealth. The lease incentive is recognised as a lease prepayment and lease income received in advance.		
NOTE 23: Administered - Payables		
<u>Note 23A: Suppliers</u>		
Trade creditors and accruals	304	2,501
Total suppliers	304	2,501
Supplier payables expected to be settled		
No more than 12 months	304	2,501
Total suppliers	304	2,501
Suppliers in connection with		
External parties	304	2,501
Total suppliers	304	2,501
Settlement was usually made within 30 days.		
<u>Note 23B: Subsidies</u>		
Subsidies in connection with		
External parties	-	163
Total subsidies	-	163
Subsidies expected to be settled		
No more than 12 months	-	163
Total subsidies	-	163
Subsidies in connection with		
External parties	-	163
Total subsidies	-	163
Settlement was usually made within 30 days.		

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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	2015 \$'000	2014 \$'000
NOTE 23: Administered - Payables (continued)		
Note 23C: Grants		
Public sector		
Australian Government entities	275	-
State and Territory Governments	243	143
Local Governments	525	289
Private sector		
Non-profit organisations	199	652
Commercial entities	2,809	25,425
Total grants	4,051	26,509
All grants payables are expected to be settled in no more than 12 months. Settlement is usually made according to the terms and conditions of each grant within 30 days of performance or eligibility.		
Note 23D: Administered GST Payable		
GST Payable to the Official Public Account	3,624	5,743
Total administered GST payable	3,624	5,743
Administered GST payable is expected to be settled in no more than 12 months.		
Note 23E: Other Payables		
Lease income received in advance ¹	17,463	18,992
Total other payables	17,463	18,992
Total other payables are expected to be settled		
No more than 12 months	2,584	1,529
More than 12 months	14,879	17,463
Total other payables	17,463	18,992

¹ Lease income received in advance relates to the indefeasible rights of use (IRUs) issued by the Commonwealth in relation to the network infrastructure assets. As part of the arrangement for the construction of assets and the issue of IRUs, the Commonwealth has provided a lease incentive to the contractor in the form of a reduction of lease payments that would otherwise be payable to the Commonwealth for the IRUs. The lease incentive is recognised as a lease prepayment and lease income received in advance.

Department of Communications
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	2015	2014
	\$'000	\$'000
NOTE 24: Administered - Cash Flow Reconciliation		
Reconciliation of cash and cash equivalents as per administered schedule of assets and liabilities to administered cash flow statement		
Cash and cash equivalents as per		
Schedule of administered cash flows	-	-
Schedule of administered assets and liabilities	-	-
Discrepancy	-	-
Reconciliation of net cost of services to net cash from/(used by) operating activities		
Net (cost of)/contribution by services	(1,485,860)	(1,369,725)
Adjustments for non-cash items		
Depreciation / amortisation	7,991	7,779
Transfer of assets	705	-
Movements in assets and liabilities		
Assets		
Decrease in net receivables	7,490	3,682
Decrease in inventories	-	170
Decrease in other non-financial assets	3,227	3,357
Liabilities		
(Decrease) in supplier payables	(2,197)	(30,098)
(Decrease) in subsidies payables	(163)	(23,681)
(Decrease)/Increase in grants payables	(22,458)	9,848
(Decrease) in other payables	(1,530)	(1,529)
Net cash from/(used by) operating activities	(1,492,795)	(1,400,197)

NOTE 25: Administered - Contingent Assets and Liabilities

Quantifiable Administered Contingencies

As at 30 June 2015, the Australian Government did not have any quantifiable contingencies (2014: nil).

Unquantifiable Administered Contingencies

Networking the Nation

As at 30 June 2015, the Australian Government is a party to legal action brought against it in relation to an agreement under the Networking the Nation Program. The outcome of that litigation cannot be predicted.

Termination of the Funding Agreement with OPEL

As at 30 June 2015, the Australian Government is a party to legal action brought against it in relation to an agreement under the Broadband Connect Infrastructure Program. The outcome of that litigation cannot be predicted.

NBN Co Board Members Insolvency Indemnity

The Australian Government has provided each Director of NBN Co Limited (NBN Co) with an indemnity against liability as a result of the Government failing to meet its funding obligations to NBN Co. The liabilities covered by this indemnity would be no greater than those covered by the NBN Co Equity Funding Agreement, with the exception of any legal expenses incurred by individual Directors arising from this indemnity. Relevant Directors are also indemnified in relation to claims arising out of their involvement in the negotiation and entry by NBN Co into the 2010 Financial Heads of Agreement with Telstra.

Significant Remote Administered Contingencies

NBN Co Interim Board Members Indemnity

The Australian Government indemnified the Interim Directors of NBN Co against any liability in respect of claims or legal costs and expenses in defending claims or undertaking proceedings, which may have arisen as a result of any such person acting in their capacity as a director of the company. The removal of Interim Directors occurred on 6 August 2009. As at 30 June 2015, no claims have been made.

Telstra Financial Guarantee

The Australian Government provided a guarantee to Telstra in respect of NBN Co's financial obligations to Telstra under the Definitive Agreements. The Agreements were amended on 14 December 2014. The Guarantee was not amended at that time and it continues in force in accordance with its terms in respect of the amended Definitive Agreements. The liabilities under the agreements between Telstra and NBN Co arise progressively during the roll out of the National Broadband Network as Telstra's infrastructure is accessed and Telstra's customers are disconnected from its copper and hybrid-fibre coaxial cable networks. The Australian Government is only liable in the event NBN Co does not pay an amount under the Definitive Agreements when due. As at 30 June 2015, NBN Co had generated liabilities which it had not paid and that were covered by the guarantee estimated at \$3.9 billion. The guarantee will terminate when NBN Co achieves specified credit ratings for a period of two continuous years and either:

- the company is capitalised by the Commonwealth to the agreed amount; or
- the Communications Minister declares, under the National Broadband Network Companies Act 2011, that, in his or her opinion, the National Broadband Network should be treated as built and fully operational.

Optus Financial Guarantee

The Australian Government has provided a guarantee to Optus of NBN Co's financial obligations to Optus under the Optus HFC Subscriber Agreement. On 14 December 2014, NBN Co and Optus entered into an amended Optus HFC Subscriber Agreement, which was subject to a number of conditions precedent. The conditions precedent have not yet been met and so the original Optus HFC Subscriber Agreement remains in effect at 30 June 2015. That Agreement extends for the period of the National Broadband Network roll out in Optus Hybrid Fibre Coaxial areas. As at 30 June 2015, NBN Co had generated liabilities which it had not paid and that were covered by the Optus Agreement estimated at \$16.9 million. The Guarantee will terminate in 2021.

Equity Funding Agreement

The Australian Government has entered into an Equity Funding Agreement with NBN Co Limited. The Agreement formalises the Australian Government's intention to provide equity to fund the roll out of the National Broadband Network, with such funding being conditional on the annual appropriation processes. In addition, it commits the Australian Government, in the event of a termination of the National Broadband Network roll out, to provide sufficient funds to NBN Co to meet its costs arising from that termination. Although the NBN Co Equity Funding Agreement will terminate in 2019, the Commonwealth's obligations to meet NBN Co's direct costs, arising from termination of the roll out will continue indefinitely. As at 30 June 2015, NBN Co's termination liabilities were estimated at \$8.5 billion.

NOTE 26: Administered - Investments

Ownership %	Notes	Principal Activity
2015	2014	
100	100	A Australian Broadcasting Corporation and controlled entities - National broadcaster contributing to and reflecting Australia's national identity, fostering creativity and the arts and encouraging cultural diversity. A body corporate established under the <i>Australian Broadcasting Corporation Act 1983</i> .
100	100	B Australian Postal Corporation - Provides a high-quality mail delivery service to all Australians and a range of parcel and ancillary services. A body corporate established under the <i>Australian Postal Corporation Act 1989</i> .
100	100	C Special Broadcasting Service Corporation and controlled entity - National Broadcasters providing multicultural and multilingual services that inform, educate and entertain all Australians. A body corporate established under the <i>Special Broadcasting Services Act 1991</i> .
100	100	D NBN Co - To plan, roll out and operate the National Broadband Network, providing access to high speed broadband to all Australians' premises. A body corporate established under the <i>Public Governance, Performance and Accountability Act 2013</i> .

Department of Communications
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	2015 \$'000	2014 \$'000
NOTE 27: Administered - Financial Instruments		
Note 27A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Receivables - loans to corporate Commonwealth entities	67,468	40,240
Receivables - other (net)	-	391
Total loans and receivables	67,468	40,631
Available for sale financial assets		
Investment in Australian Broadcasting Corporation ¹	1,021,100	1,055,091
Investment in Special Broadcasting Service Corporation ¹	199,305	198,541
Investment in NBN Co ¹	7,708,000	4,923,976
Investment in Australian Postal Corporation ²	2,321,600	2,526,300
Total available for sale financial assets	11,250,005	8,703,908
Total financial assets	11,317,473	8,744,539
Financial Liabilities		
Financial liabilities measured at amortised cost		
Payables - suppliers	304	2,501
Payables - grants	4,051	26,509
Payables - subsidies	-	163
Total financial liabilities measured at amortised cost	4,355	29,173
Total financial liabilities	4,355	29,173
¹ Administered investment valuations are based on the audited net asset balance.		
² Administered investment valuation in the Australian Postal Corporation for 2015 is based on the discounted cash flow methodology (2014: fair value of net assets methodology).		
Note 27B: Net Gains or Losses on Financial Assets		
Loans and receivables		
Interest revenue	1,312	359
Net gains on loans and receivables	1,312	359
Available for sale financial assets		
Australia Post dividend	-	142,300
(Loss)/Gain recognised in equity	(2,206,279)	(1,286,945)
Net (losses) on available for sale financial assets	(2,206,279)	(1,144,645)
Net (losses) on financial assets	(2,204,967)	(1,144,286)

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NOTE 27: Administered - Financial Instruments (continued)

Note 27C: Fair Value of Financial Instruments

	Carrying amount 2015 \$'000	Fair value 2015 \$'000	Carrying amount 2014 \$'000	Fair value 2014 \$'000
Financial assets				
Receivables - loans to corporate Commonwealth entities	67,468	69,437	40,240	40,240
Receivables - other (net)	-	-	391	391
Available for sale financial assets				
Investment in Australian Broadcasting Corporation and controlled entities	1,021,100	1,021,100	1,055,091	1,055,091
Investment in Special Broadcasting Corporation and controlled entities	199,305	199,305	198,541	198,541
Investment in NBN Co	7,708,000	7,708,000	4,923,976	4,923,976
Investment in Australian Postal Corporation	2,321,600	2,321,600	2,526,300	2,526,300
Total financial assets	11,317,473	11,319,442	8,744,539	8,744,539
Financial Liabilities				
Payables - suppliers	304	304	2,501	2,501
Payables - grants	4,051	4,051	26,509	26,509
Payables - subsidies	-	-	163	163
Total financial liabilities	4,355	4,355	29,173	29,173

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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NOTE 27: Administered - Financial Instruments (continued)

Note 27D: Credit Risk

The administered activities of the Department were not exposed to a high level of credit risk as the majority of financial assets are trade receivables, loans to Government controlled and funded entities and investment in Portfolio Agencies. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. The carrying amount of financial assets, net of impairment losses, reported in the Schedule of Administered Items represents the maximum exposure to credit risk as \$11,536,873,000 (2014: \$8,744,538,000). Credit risk is managed by undertaking background and credit checks prior to allowing a debtor relationship. In addition, there are policies and procedures that guide debt recovery techniques that are to be applied.

The Department has assessed the risk of the default on payment and has not allocated an amount to an impairment allowance in 2015 (2014: Nil).

Credit quality of financial assets not past due or individually determined as impaired

	Not Past Due Nor Impaired 2015 \$'000	Not Past Due Nor Impaired 2014 \$'000	Past Due or Impaired 2015 \$'000	Past Due or Impaired 2014 \$'000
Loans and receivables				
Receivables - loans to corporate Commonwealth entities	67,468	40,240	-	-
Receivables - other	-	390	-	1
Available for sale financial assets				
Investment in Australian Broadcasting Corporation	1,021,100	1,055,091	-	-
Investment in Special Broadcasting Service Corporation	199,305	198,541	-	-
Investment in NBN Co	7,708,000	4,923,976	-	-
Investment in Australian Postal Corporation	2,321,600	2,526,300	-	-
Total	11,317,473	8,744,538	-	1

Ageing of financial assets that were past due but not impaired in 2015

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Loans and receivables					
Receivables - loan to corporate Commonwealth entities	-	-	-	-	-
Receivables - other	-	-	-	-	-
Total	-	-	-	-	-

Ageing of financial assets that were past due but not impaired in 2014

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Loans and receivables					
Receivables - other	-	-	-	1	1
Total	-	-	-	1	1

NOTE 27: Administered - Financial Instruments (continued)

Note 27E: Liquidity Risk

The Administered financial liabilities are trade creditors, grants and subsidies payable. The exposure to liquidity risk is based on the notion that the Commonwealth will encounter difficulty in meeting its obligations associated with Administered financial liabilities. This is highly unlikely due to appropriation funding and mechanisms, internal policies and procedures that are currently in place.

All financial liabilities are payable within one year.

Note 27F: Market Risk

Other than Administered Investments the Commonwealth holds basic financial instruments that do not expose the Commonwealth to certain market risks. The Department's Administered activities are not exposed to 'currency risk' and 'other price risk'.

Interest rate risk

'Interest rate risk' refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The only interest bearing item in the closing Schedule of Administered Items is 'loans receivable'. These items have fixed interest and will, therefore, not fluctuate due to changes in the market interest rate.

The sensitivity analysis of the risk of a change in discount rate used to calculate the fair value of the investment in the Australian Postal Corporation, holding all other variables constant is disclosed at Note 20A. A 40 basis points change is deemed to be reasonably possible and is used when reporting interest rate risk.

The method used to arrive at the possible risk of 40 basis points was based on both statistical and non-statistical analysis. The statistical analysis has been based on the cash rate for the past five years issued by the Reserve Bank of Australia (RBA) as the underlying dataset. This information is then revised and adjusted for reasonableness under the current economic circumstances.

Other price risk

The Department's administered activities are not exposed to 'Other Price Risk'. Its administered investments are not traded on the Australian Stock Exchange. It does not hold any other financial instruments that would be exposed to price risk.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
NOTE 28: Administered - Financial Assets Reconciliation			
Financial assets			
Total financial assets per administered schedule of assets and liabilities		11,318,286	8,749,679
Less: non-financial instrument components			
GST receivable	21A	801	5,140
Accrued Revenue	21C	12	-
Total non-financial instrument components		813	5,140
Total financial assets as per administered financial instruments note	27A	11,317,473	8,744,539

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

NOTE 29: Appropriations

Note 29A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations for 2015

	Appropriation Act		PGPA Act		Appropriation applied in 2015 (current and prior years) \$'000	Variance ³ \$'000	Section 51 determinations ⁴ \$'000
	Annual appropriation \$'000	Advance to the Finance Minister (AFM) \$'000	Section 74 \$'000	Section 75 \$'000	Total appropriation \$'000		
Departmental							
Ordinary annual services	95,472	-	1,306	-	96,778	97,461	(683)
Other services	6,400	-	-	-	6,400	400	6,000
Equity	-	-	-	-	-	-	-
Total departmental	101,872	-	1,306	-	103,178	97,861	5,317
Administered							
Ordinary annual services							
Administered items	147,591	-	-	-	147,591	148,318	(727)
Payments to corporate Commonwealth entities	1,350,698	-	-	-	1,350,698	1,349,152	1,546
Other services	-	-	-	-	-	-	-
Administered assets and liabilities	3,229,445	-	-	-	3,229,445	4,767,000	(1,537,555)
Payments to corporate Commonwealth entities	50,000	-	-	-	50,000	50,000	-
Total administered	4,777,734	-	-	-	4,777,734	6,314,470	(1,536,736)
Total	4,879,606	-	1,306	-	4,879,912	6,392,331	(1,512,419)

¹ Annual appropriation represents the total annual appropriation allocated for the current financial year. The total quarantined amount included in the annual appropriation for 2014-15, but not forming part of section 51 of the PGPA Act, is \$2.629m for administered. There are no appropriations remaining, which have been quarantined for departmental as at 30 June 2015.

² In 2014-15, there were no adjustments that met the recognition criteria of a formal addition or reduction in revenue (in accordance with Financial Reporting Rule Part 6 Div. 3), and at law the appropriations had not been amended before the end of the reporting period.

³ As at 30 June 2015, there are no material departmental variances. The administered variance under assets and liabilities of \$1,538b relates to funding for NBN Co that was not required in 2014-15.

⁴ Determinations under section 51 of the PGPA Act relate to approved movements of funds, savings measures and funding to support the establishment of the Digital Transformation Office.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

NOTE 29: Appropriations (continued)

Note 29A: Annual Appropriations ('Recoverable GST exclusive') (continued)

Annual Appropriations for 2014

	2014 Appropriations						Appropriation applied in 2014 (current and prior years)	Variance ^(b)
	Appropriation Act		FMA Act			Total appropriation		
	Annual appropriation \$'000	Appropriations reduced ^(a) \$'000	Section 30 \$'000	Section 31 \$'000	Section 32 \$'000			
DEPARTMENTAL								
Ordinary annual services	111,247	-	-	6,049	(894)	116,402	(121,456)	(5,054)
Other services	1,141	-	-	-	-	1,141	(503)	638
Equity								
Total departmental	112,388	-	-	6,049	(894)	117,543	(121,959)	(4,416)
ADMINISTERED								
Ordinary annual services								
Administered items	225,590	(36,362)	183	-	(11,589)	177,822	(219,758)	(41,936)
Payments to CAC Act bodies	1,327,688	-	-	-	-	1,327,688	(1,323,625)	4,063
Other services								
Administered assets and liabilities	1,379,000	-	-	-	-	1,379,000	(3,190,000)	(1,811,000)
Payments to CAC Act bodies	43,300	-	-	-	-	43,300	(43,300)	-
Total administered	2,975,578	(36,362)	183	-	(11,589)	2,927,810	(4,776,683)	(1,848,873)

Notes:

(a) Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. All unspent administered appropriations lapse at financial year end.

As with departmental appropriations, the responsible Minister may decide that part or all of an administered appropriation is not required and request that the Finance Minister reduce that appropriation. For administered appropriations reduced under section 11 of Appropriation Act (Nos. 1, 3 & 5) 2013-14, the appropriation is taken to be reduced to the required amount specified in Table E of this note once the annual report is tabled in Parliament. All administered appropriations may be adjusted by a Finance Minister's determination, which is disallowable by Parliament. The amount of the reduction under Appropriation Act (Nos. 1, 3 & 5) 2013-14 was \$36,362,000.

(b) Administered variance for assets and liabilities relates to funding for NBN Co Limited that was not required in 2013-14.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

NOTE 29: Appropriations (continued)

Note 29B: Departmental and Administered Capital Budgets (Recoverable GST exclusive)

	2015 Capital Budget Appropriations		Capital Budget Appropriations applied in 2015 (current and prior years)			
	Appropriation Act	PGPA Act	Total Capital Budget Appropriations		Payments for non-financial assets ²	
	Annual Capital Budget \$'000	Section 75 Appropriations \$'000	\$'000	\$'000	Payments for other purposes \$'000	Total payments \$'000
Departmental ¹						
Ordinary annual services - Departmental Capital Budget	4,095	-	4,095	3,613	-	3,613
Administered ¹						
Ordinary annual services - Administered Capital Budget	-	-	-	-	-	-
						482

¹ Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Note 29A: Annual Appropriations.

² Payments made on non-financial assets include purchases of assets, expenditure on assets that have been capitalised, costs incurred to bring assets back to their original condition, and the capital repayment component of finance leases.

³ As at 30 June 2015, the departmental variance of \$0.482m remains unspent due to a number of projects that were not completed by the end of the financial year.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

NOTE 29: Appropriations (continued)									
Note 29B: Departmental and Administered Capital Budgets (Recoverable GST exclusive) ¹ (continued)									
	2014 Capital Budget Appropriations				Capital Budget Appropriations applied in 2014 (current and prior years)				Variance \$'000
	Appropriation Act	FMA Act	Total Capital Budget Appropriations \$'000	Payments for non-financial assets ² \$'000	Payments for other purposes \$'000	Total payments \$'000			
	Annual Capital Budget \$'000	Appropriations reduced \$'000					Section 32 \$'000		
DEPARTMENTAL									
Ordinary annual services									
Departmental Capital Budget ¹	4,264	-	(20)	4,244	(2,919)	-	(2,919)	1,325	
ADMINISTERED									
Ordinary annual services									
Administered Capital Budget ¹	-	-	-	-	-	-	-	-	

Notes:

¹ Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No. 1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Note 28A: Annual appropriations.

² Payments made on non-financial assets include purchases of assets, expenditure on assets that has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

Notes:

¹ Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No. 1.3.5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriations, please see Note 28A: Annual appropriations.

² Payments made on non-financial assets include purchases of assets, expenditure on assets that has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

NOTE 29: Appropriations (continued)

Note 29C: Unspent Annual Appropriations ('Recoverable GST exclusive')

	2015 \$'000	2014 \$'000
Departmental		
Cash and cash equivalents	655	576
Appropriation Act (No.1) 2014-2015	5,535	-
Appropriation Act (No.2) 2014-2015	219	-
Appropriation Act (No.3) 2014-2015	3,382	-
Appropriation Act (No.4) 2014-2015	5,781	-
Appropriation Act (No.5) 2014-2015	1,700	-
Appropriation Act (No.1) 2013-2014	-	10,057
Appropriation Act (No.2) 2013-2014	-	638
Appropriation Act (No.1) 2012-2013	211	1,082
Appropriation Act (No.3) 2012-2013	1,602	1,602
Appropriation Act (No.1) 2011-2012*	-	1,305
Appropriation Act (No.3) 2011-2012*	-	4,133
Appropriation Act (No.1) 2010-2011*	-	5,186
Appropriation Act (No.3) 2010-2011*	-	107
Total departmental	19,085	24,686
Administered		
Appropriation Act (No.1) 2014-2015	8,009	-
Appropriation Act (No.2) 2014-2015	623,000	-
Appropriation Act (No.1) 2013-2014	649	27,902
Appropriation Act (No.2) 2013-2014	-	129,000
Appropriation Act (No.1) 2012-2013	7,985	8,698
Appropriation Act (No.2) 2012-2013	-	2,031,555
Appropriation Act (No.3) 2012-2013	-	78
Appropriation Act (No.1) 2011-2012	-	2,803
Total administered	639,643	2,200,036

* These appropriations were repealed by the *Omnibus Repeal Day (Autumn 2014) Act 2014* on 16 October 2014.

NOTE 29: Appropriations (continued)

Note 29D: Special Appropriations Applied ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2015 \$'000	2014 \$'000
<i>Telstra Corporation Act 1991</i> , section 8BA(3). Nature: Administered	Unlimited Amount	for the payment of compensation constitutional safety net	-	-
<i>Financial Management and Accountability Act</i> 1997, section 39. Nature: Administered	Unlimited Amount	for the investment of public money	-	-
<i>Financial Management and Accountability Act</i> 1997, section 28(2). Nature: Administered	Refund Provisions	to provide an appropriation where an Act or other law requires or permits the repayment of an amount received by the Commonwealth and apart from this section there is no specific appropriation for the repayment	-	1
Total			-	1

NOTE 30: Special Accounts

Note 30: Special Accounts ('Recoverable GST exclusive')

	BAF Communications Portfolio Special Account ¹		Australia New Zealand Land Information Special Account ²	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Balance brought forward from previous period	-	-	-	-
Increases				
Appropriation credited to special account:				
Departmental	-	-	-	-
Administered	-	-	133	-
Total increases	-	-	133	-
Available for payments	-	-	133	-
Decreases				
Departmental				
Payments made	-	-	-	-
Total departmental	-	-	-	-
Administered				
Payments made	-	-	(32)	-
Total administered	-	-	(32)	-
Total decreases	-	-	(32)	-
Total balance carried to the next period	-	-	101	-

¹Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

Establishing Instrument: *Nation-building Funds Act 2008*, section 68.

Purpose: To make payments in relation to the creation or development of communications infrastructure; and eligible national broadband network matters.

²Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

Establishing Instrument: *Determination 2001/11*.

Purpose: To make payments in relation to developing best practice policies and guidelines in spatial data management in Australia and New Zealand and assisting the growth of a spatial information industry in Australia and New Zealand.

NOTE 31: Reporting of Outcomes

Note 31: Net Cost of Outcome Delivery

The Department reports only on one outcome. All of the Department's departmental and administered revenue, expenses, assets and liabilities are allocated to Outcome 1 in the table below.

	Outcome 1 ¹		Payments to corporate Commonwealth entities ²		Total	
	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Departmental						
Expenses	98,323	114,842	-	-	98,323	114,842
Own-source income	1,610	3,363	-	-	1,610	3,363
Administered						
Expenses	140,967	190,769	1,349,152	1,323,625	1,490,119	1,514,394
Own-source income	4,259	144,669	-	-	4,259	144,669
Net cost of outcome delivery	233,421	157,579	1,349,152	1,323,625	1,582,573	1,481,204

¹ Outcome 1 is described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual Budget Outcome. Refer to Outcome 1 Resourcing Table of this Annual Report.

² Payments to corporate Commonwealth entities are not related to the outcomes of the Department.

NOTE 32: Budgetary Reports and Explanations of Major Variances

The following tables provide a comparison of the original budget as presented in the 2014-15 Portfolio Budget Statements (PBS) to the 2014-15 final outcome as presented in accordance with Australian Accounting Standards for the entity. The Budget is not audited.

NOTE 32A: Departmental Budgetary Reports

Statement of Comprehensive Income
for the year ended 30 June 2015

	Notes	Actual	Budget estimate	
		2015	Original ¹	Variance ²
		\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	4A	50,825	63,136	(12,311)
Suppliers	4B	40,784	27,531	13,253
Depreciation and amortisation		5,906	5,551	355
Finance costs		65	63	2
Write-down and impairment of assets		730	-	730
Losses from asset sales		2	-	2
Other expenses		11	-	11
Total expenses		98,323	96,281	2,042
Own-Source Income				
Own-source revenue				
Sale of goods and rendering of services	5A	795	4,025	(3,230)
Rental income		215	-	215
Other revenue		203	-	203
Total own-source revenue		1,213	4,025	(2,812)
Gains				
Sale of assets		6	-	6
Other gains		391	410	(19)
Total gains		397	410	(13)
Total own-source income		1,610	4,435	(2,825)
Net contribution by services		96,713	91,846	4,867
Revenue from Government	5E	91,377	86,295	5,082
Surplus (Deficit) before income tax on continuing operations		(5,336)	(5,551)	215
Surplus (Deficit) after income tax		(5,336)	(5,551)	215
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus		(1,645)	-	(1,645)
Total other comprehensive income after income tax		(1,645)	-	(1,645)
Total comprehensive (loss)		(6,981)	(5,551)	(1,430)

¹ The Department's original budgeted financial statement that was first presented to parliament in respect of the reporting period.

² This column represents variances between actual and original budgeted amounts for 2014-15. Explanations of major variances are provided further below.

NOTE 32: Departmental Budgetary Reports (continued)

Statement of Financial Position
as at 30 June 2015

AS at 30 June 2013

		Actual	Budget estimate	
Notes			Original ¹	Variance ²
		2015	2015	2015
		\$'000	\$'000	\$'000
ASSETS				
Financial assets				
Cash and cash equivalents		655	750	(95)
Trade and other receivables		19,954	20,593	(639)
Other financial assets		366	-	366
Total financial assets		20,975	21,343	(368)
Non-financial assets				
Land and buildings	8A, 8C	3,245	5,109	(1,864)
Property, plant and equipment	8B, 8C	2,452	5,632	(3,180)
Intangibles	8D, 8E	8,550	7,746	804
Other non-financial assets		908	1,121	(213)
Total non-financial assets		15,155	19,608	(4,453)
Total assets		36,130	40,951	(4,821)
LIABILITIES				
Payables				
Suppliers	9A	9,621	6,368	3,253
Lease incentives		469	412	57
Other payables		2,666	2,153	513
Total payables		12,756	8,933	3,823
Provisions				
Employee provisions	10A	16,666	21,014	(4,348)
Other provisions		4,177	4,282	(105)
Total provisions		20,843	25,296	(4,453)
Total liabilities		33,599	34,229	(630)
Net assets		2,531	6,722	(4,191)
EQUITY				
Contributed equity		15,880	(11,103)	26,983
Reserves		8,189	8,865	(676)
Retained surplus/(Accumulated deficit)		(21,538)	8,960	(30,498)
Total equity		2,531	6,722	(4,191)

¹ The Department's original budgeted financial statement that was first presented to parliament in respect of the reporting period.

² This column represents variances between actual and original budgeted amounts for 2014-15. Explanations of major variances are provided further below.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

NOTE 32: Departmental Budgetary Reports (continued)

Statement of Changes in Equity
for the year ended 30 June 2015

	Retained earnings			Asset revaluation surplus			Contributed equity/capital			Total equity		
	Actual	Budget Estimate	Variance ²	Actual	Budget Estimate	Variance ²	Actual	Budget Estimate	Variance ²	Actual	Budget Estimate	Variance ²
	Original ¹	2015	2015	Original ¹	2015	2015	Original ¹	2015	2015	Original ¹	2015	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance												
Balance carried forward from previous period		14,511	(19,715)	9,834	8,865	969		(15,817)	21,202	10,015	7,559	2,456
Adjustment for errors	(267)	-	(267)	-	-	-	-	-	-	(267)	-	(267)
Adjusted opening balance	(5,471)	14,511	(19,982)	9,834	8,865	969	(15,817)	(15,817)	21,202	9,748	7,559	2,189
Comprehensive income												
Surplus (Deficit) for the year	-	(5,551)	5,551	-	-	-	-	-	-	-	(5,551)	5,551
Other comprehensive income	(5,336)	-	(5,336)	(1,645)	-	(1,645)	-	-	-	(6,981)	-	(6,981)
Total comprehensive income	(5,336)	(5,551)	215	(1,645)	-	(1,645)	-	-	-	(6,981)	(5,551)	(1,430)
Total comprehensive income attributed to Australian Government	(5,336)	(5,551)	215	(1,645)	-	(1,645)	-	-	-	(6,981)	(5,551)	(1,430)
Transactions with owners												
Distributions to owners												
Reductions of appropriations (Omnibus Repeal Day (Autumn 2014) Act 2014)	(10,731)	-	(10,731)	-	-	-	-	-	-	(10,731)	-	(10,731)
Contributions by owners												
Equity injection	-	-	-	-	-	-	6,400	619	5,781	6,400	619	5,781
Departmental Capital Budget	-	-	-	-	-	-	4,095	4,095	-	4,095	4,095	-
Total transactions with owners	(10,731)	-	(10,731)	-	-	-	10,495	4,714	5,781	(236)	4,714	(4,950)
Transfers between equity components	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance as at 30 June	(21,538)	8,960	(30,498)	8,189	8,865	(676)	15,880	(11,103)	26,983	2,531	6,722	(4,191)
Closing balance attributable to Australian Government	(21,538)	8,960	(30,498)	8,189	8,865	(676)	15,880	(11,103)	26,983	2,531	6,722	(4,191)

¹ The Department's original budgeted financial statement that was first presented to parliament in respect of the reporting period.

² This column represents variances between actual and original budgeted amounts for 2014-15. Explanations of major variances are provided further below.

NOTE 32: Departmental Budgetary Reports (continued)

Cash Flow Statement
for the year ended 30 June 2015

	Actual	Budget estimate	
		Original ¹	Variance ²
	2015	2015	2015
	\$'000	\$'000	\$'000
OPERATING ACTIVITIES			
Cash received			
Receipts from Government	97,529	86,265	11,264
Sales of goods and rendering of services	423	4,025	(3,602)
Net GST received	3,681	-	3,681
Other	224	30	194
Total cash received	101,857	90,320	11,537
Cash used			
Employees	59,403	62,448	(3,045)
Suppliers	37,388	27,872	9,516
Section 74 receipts transferred to Official Public Account	4,987	-	4,987
Other	12	-	12
Total cash used	101,790	90,320	11,470
Net cash from operating activities	67	-	67
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment	12	-	12
Total cash received	12	-	12
Cash used			
Purchase of property, plant and equipment	94	4,714	(4,620)
Purchase of land and buildings	154	-	154
Purchase of intangibles	3,764	-	3,764
Total cash used	4,012	4,714	(702)
Net cash from investing activities	(4,000)	(4,714)	714
FINANCING ACTIVITIES			
Cash received			
Contributed equity	400	4,714	(4,314)
Departmental Capital Budget	3,612	-	3,612
Total cash received	4,012	4,714	(702)
Net cash (used by) from financing activities	4,012	4,714	(702)
Net increase in cash held	79	-	79
Cash and cash equivalents at the beginning of the reporting period	576	750	(174)
Cash and cash equivalents at the end of the reporting period	655	750	(95)

¹ The Department's original budgeted financial statement that was first presented to parliament in respect of the reporting period.

² This column represents variances between actual and original budgeted amounts for 2014-15. Explanations of major variances are provided further below.

NOTE 32: Departmental Budgetary Reports (continued)

NOTE 32B: Departmental Major Budget Variances

Explanations of major variances	Affected line items (and statement)	
Statement of Comprehensive Income		
The Department operated below the budgeted ASL for 2014-15.	4A	Employee Benefits
The variance in the Suppliers Expense predominantly relates to the new mobility project undertaken in 2014-15 and an increase in contractor/consultancy costs following the Department's restructure of 1 September 2014.	4B	Suppliers
The difference largely reflects the anticipated transfer of the Telecommunications Universal Service Management Agency functions to the Department at 1 July 2014, which did not occur until 1 July 2015.	5A	Sale of goods and rendering of services
The increase in the Revenue from Government is due to additional appropriations in 2014-15 from Additional Estimates and Supplementary Additional Estimates, relating mainly to redundancy funding.	5E	Revenue from Government
The difference in the changes in asset revaluation surplus reflects the annual revaluation undertaken at 30 June 2015.	N/A	Changes in asset revaluation surplus
Statement of Financial Position		
The decrease reflects the outcome of the annual revaluation for Buildings and Property, Plant and Equipment assets at 30 June 2015.	8A-8E	Non-Financial Assets
Actual Suppliers Payable is higher than projected as a result of several factors such as, new ICT projects undertaken in 2014-15, legal fees on litigation work, Digital Transformation Office establishment/transition costs and additional Comcare premium.	9A	Suppliers
The variance mainly relates to staff movements and redundancies in relation to the organisational restructure of 1 September 2014.	10A	Employee provisions
Statement of Changes in Equity		
The variance in the total equity is primarily due to reductions of appropriations and asset revaluations in 2014-15.	N/A	Total Equity
Cash Flow Statement		
The variance reflects actual drawdowns from the Official Public Account (OPA) commensurate with an increase in consultancy/contractor costs and new ICT projects in 2014-15.	N/A	Receipts from Government
The difference largely reflects the anticipated transfer of the Telecommunications Universal Service Management Agency functions to the Department at 1 July 2014, which did not occur until 1 July 2015.	N/A	Sales of goods and rendering of services

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

The following tables provide a comparison of the original budget as presented in the 2014-15 Portfolio Budget Statements (PBS) to the 2014-15 final outcome as presented in accordance with Australian Accounting Standards for the entity. The Budget is not audited.

NOTE 32C: Administered Budgetary Reports

Administered Schedule of Comprehensive Income
for the year ended 30 June 2015

		Actual	Budget estimate	
	Notes		Original ¹	Variance ²
		2015	2015	2015
		\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Suppliers	18A	11,627	15,401	(3,774)
Subsidies		(133)	-	(133)
Grants	18C	111,849	129,311	(17,462)
Depreciation and amortisation		7,991	7,779	212
Finance costs	18E	3,269	-	3,269
Payments to corporate Commonwealth Entities	18G	1,349,152	1,350,698	(1,546)
Other expenses		6,364	6,179	185
Total expenses		1,490,119	1,509,368	(19,249)
Non-taxation revenue				
Non-taxation revenue				
Interest		1,312	767	545
Dividends	19B	-	21,000	(21,000)
Rental income		1,529	1,529	-
Other revenue		429	-	429
Total Non-taxation revenue		3,270	23,296	(20,026)
Gains				
Other gains		989	-	989
Total gains		989	-	989
Total income		4,259	23,296	(19,037)
Net (cost of)/contribution by services		(1,485,860)	(1,486,072)	212
Deficit		(1,485,860)	(1,486,072)	212
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus		1,061	-	1,061
Items subject to subsequent reclassification to net cost of services				
Gains/(Losses) on available for sale financial assets		(2,206,279)	-	(2,206,279)
Total other comprehensive income/(loss)		(2,205,218)	-	(2,205,218)
Total comprehensive loss		(3,691,078)	(1,486,072)	(2,205,006)

¹ The Department's original budgeted financial statement that was first presented to parliament in respect of the reporting period.

² This column represents variances between actual and original budgeted amounts for 2014-15. Explanations of major variances are provided further below.

Department of Communications
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2015

NOTE 32C: Administered Budgetary Reports (continued)

Administered Schedule of Assets and Liabilities
as at 30 June 2015

		Actual	Budget estimate	
	Notes	2015	Original ¹	Variance ²
		\$'000	\$'000	\$'000
ASSETS				
Financial assets				
Trade and other receivables	21A	68,269	72,763	(4,494)
Other investments	21B	11,250,005	11,900,544	(650,539)
Other financial assets		12	-	-
Total financial assets		11,318,286	11,973,307	(655,021)
Non-financial assets				
Property, plant and equipment	22A,22B	172,144	166,335	5,809
Other non-financial assets		7,154	7,077	77
Total non-financial assets		179,298	173,412	5,886
Total assets administered on behalf of Government		11,497,584	12,146,719	(649,135)
LIABILITIES				
Payables				
Suppliers		304	-	304
Grants	23C	4,051	-	4,051
GST payable		3,624	6,014	(2,390)
Other payables		17,463	17,565	(102)
Total payables		25,442	23,579	1,863
Total liabilities administered on behalf of Government		25,442	23,579	1,863
Net assets		11,472,142	12,123,140	(650,998)

¹ The Department's original budgeted financial statement that was first presented to parliament in respect of the reporting period.

² This column represents variances between actual and original budgeted amounts for 2014-15. Explanations of major variances are provided further below.

NOTE 32D: Administered Major Budgetary Variances

Explanations of major variances	Affected line items (and statement)	
Administered Schedule of Comprehensive Income		
The variance predominantly reflects the use of budgeted funds to support the establishment of the Digital Transformation Office and the establishment of the Children's e-Safety Commissioner.	18A	Suppliers
The difference in Grants Expense is mainly due to approved movement of funds into 2015-16 for the Mobile Black Spot Programme, in addition to redirecting budgeted funds to support the establishment of the Digital Transformation Office and transfer of the Enhancing Online Safety for Children Programme to Australian Communications and Media Authority.	18C	Grants
The variance relates to the accounting treatment of the loan discount expense for Australian Broadcasting Corporation (ABC), which was not reflected in the PBS 2014-15.	18E	Finance Costs
The budgeted payments to corporate Commonwealth entities reflects approved movement of funds into forward years for Special Broadcasting Service (SBS).	18G	Payments to corporate Commonwealth entities
The variance reflects the approved decision by Australia Post not to pay a dividend in 2014-15.	19B	Dividends
The difference in the changes in asset revaluation surplus reflects the annual revaluation of the Regional Backbone Blackspots Program (RBBP) assets network.	N/A	Changes in asset revaluation surplus
The losses on available for sale financial assets are the net movements in the administered investment reserve to reflect ABC, SBS, NBN Co and Australia Post fair values at 30 June 2015.	N/A	Gains/(Losses) on available for sale financial assets
Administered Schedule of Assets and Liabilities		
The variance is in relation to the actual GST receivable from the Australian Taxation Office being lower than budgeted.	21A	Trade and other receivables
Other investments includes changes in the net asset position for ABC, SBS and NBN Co as at 30 June 2015 and a change in valuation methodology for Australia Post to discounted cash flow.	21B	Other Investments
The variance reflects the annual revaluation of the RBBP assets network, marginally offset by RBBP indefeasible rights of use (IRUs) transferred to the Department of Defence.	22A,22B	Property, plant and equipment
The variance reflects timing differences in the projected payment of grants as at 30 June 2015.	23C	Grants



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Section 5

Appendices

Supplementary information on a range of issues, such as a resource statement and expenses for outcome, reporting on legislation and statutory instruments, workforce demographics, and advertising and market research.

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Appendix 1

Agency resource statement and expenses for outcome

Table 5.1 Agency resource statement 2014–15

	Actual available appropriation for 2014–15 \$'000	Payments made 2014–15 \$'000	Balance remaining 2014–15 \$'000
	(a)	(b)	(a)–(b)
Ordinary Annual Services			
Prior year departmental appropriation	23,781	21,392	2,389
Departmental appropriation ¹	91,377	81,163	10,214
Departmental Capital Budget ²	4,095	3,613	482
s75 Transfers	-	-	-
s74 Relevant agency receipts	1,306	1,306	-
Total	120,559	107,474	13,085
Administered expenses			
Prior year administered appropriation	39,481	30,847	
Outcome 1 ¹	147,591	117,471	
Payments to non-corporate entities ¹	1,350,698	1,349,152	
Total	1,537,770	1,497,470	
Total ordinary annual services	A 1,658,329	1,604,944	
Departmental non-operating			
Prior year departmental appropriations	638	638	-
Equity injections ³	6,400	400	6,000
Previous year's programmes	-	-	-
Total	7,038	1,038	6,000
Administered non-operating			
Prior year administered appropriations	2,160,555	-	
Administered assets and liabilities	3,229,445	4,767,000	
Payments to non-corporate entities— non-operating ³	50,000	50,000	
Total	5,440,000	4,817,000	
Total other services	B 5,447,038	4,818,038	
Total available annual appropriations and payments	7,105,367	6,422,982	

	Actual available appropriation for 2014–15 \$'000	Payments made 2014–15 \$'000	Balance remaining 2014–15 \$'000
	(a)	(b)	(a)–(b)
Special accounts			
Opening balance	-	-	
Non-appropriation receipts to special accounts	133	-	
Payments made	-	(32)	
Total special account ⁴	133	(32)	101
Total resourcing and payments			
A+B+C	7,105,500	6,422,950	
Less appropriations drawn from annual or special appropriations above and credited to special accounts and/or non-corporate entities through annual appropriations	(1,400,698)	(1,399,152)	
Total net resourcing and payments for the Department of Communications	5,704,802	5,023,798	

1 Appropriation Bill (No.1) 2014–15, Appropriation Bill (No.3) 2014–15 and Appropriation Bill (No.5) 2014–15.

2 For accounting purposes, this amount has been designated as 'contributions by owners'.

3 Appropriation Bill (No.2) 2014–15 and Appropriation Bill (No.4) 2014–15.

4 This relates to the Australia New Zealand Land Information Special Account. It does not include 'Special Public Money' held in accounts like Other Trust Monies accounts (OTM).

5 Amounts presented in this table exclude GST where applicable.

Table 5.2 Expenses for Outcome 1

	Budget ¹ 2014–15 \$'000	Actual Expenses 2014–15 \$'000	Variation 2014–15 \$'000
	(a)	(b)	(a)–(b)
Programme 1.1: Digital Technologies and Communications Services			
Administered expenses			
Ordinary annual services (Appropriation Bill No. 1)	128,095	127,022	1,073
Other services (Appropriation Bill No. 2)	–	–	–
Special accounts	36	32	4
Expenses not requiring appropriation in the Budget year ²	14,592	13,913	679
Departmental expenses			
Departmental appropriation ³	91,992	92,026	(34)
Special appropriations	–	–	–
Special accounts	–	–	–
Expenses not requiring appropriation in the budget year ²	6,105	6,297	(192)
Total for Programme 1.1	240,820	239,290	1,530

	Budget ¹ 2014–15 \$'000	Actual Expenses 2014–15 \$'000	Variation 2014–15 \$'000
	(a)	(b)	(a)–(b)
Outcome 1 Totals by appropriation type			
Administered expenses			
Ordinary annual services (Appropriation Bill No. 1)	128,095	127,022	1,073
Special accounts	36	32	4
Expenses not requiring appropriation in the budget year ²	14,592	13,913	679
Departmental expenses			
Departmental appropriation ³	91,992	92,026	(34)
Expenses not requiring appropriation in the budget year ²	6,105	6,297	(192)
Total expenses for Outcome 1	240,820	239,290	1,530
Average staffing level (number)	430	403	27

1 Full-year budget, including any subsequent adjustment made to the 2014–15 Budget at Additional Estimates and Supplementary Additional Estimates.

2 Expenses not requiring appropriation in the budget year is made up of issuing of indefeasible rights of use, depreciation expense, amortisation expense, exchange rate movements, inventory expense and audit fees.

3 Departmental appropriation combines 'Ordinary annual services (*Appropriation Bills No. 1, 3 & 5*)' and 'Revenue from independent sources (s74)'.

Note: Departmental appropriation splits and totals are indicative estimates and may change in the course of the budget year as Government priorities change

Appendix 2

Legislation and statutory instruments

Deregulation

- > *Amending Acts 1970 to 1979 Repeal Act 2015*
- > *Amending Acts 1980 to 1989 Repeal Bill 2015*
- > *Communications Legislation (Spent and Redundant Instruments) Instrument of Repeal (No. 1) 2014*
- > *Omnibus Repeal Day (Autumn 2014) Act 2014*
- > *Omnibus Repeal Day (Spring 2014) Bill 2014*

Infrastructure

- > *Australian Communications and Media Authority (3.5 GHz frequency band) Direction 2014*
- > *Carrier Licence Conditions (Networks supplying Superfast Carriage Services to Residential Customers) Declaration 2014*
- > *Carrier Licence Conditions (Telstra Corporation Limited) Declaration 1997 (Amendment No. 2 of 2014)*
- > *Carrier Licence Conditions (Telstra Corporation Limited) Declaration 1997 (Amendment No. 3 of 2014)*
- > *Telecommunications (Carrier Licence Charges) Act 1997—Determination Under Paragraph 15(1)(d) No. 1 of 2015*
- > *Radiocommunications (Duration of Community Television Transmitter Licences) Determination (No. 1) 2008 (Amendment No. 1 of 2014)*
- > *Radiocommunications (Spectrum Licence Limits—Regional 1800 MHz Band) Direction 2015*

- > *Radiocommunications (Spectrum Re-allocation—Regional 1800 MHz Band) Declaration 2015*
- > *Telecommunications (Agreements for Compliance with Structural Separation Undertaking) Determination 2014*
- > *Telecommunications (Low-impact Facilities) Determination 1997 (Amendment No. 1 of 2015)*
- > *Telstra Carrier Charges—Price Control Arrangements, Notification and Disallowance Determination No. 1 of 2005—Instrument of Revocation 2015*

Consumer and Content

- > *Broadcasting and Other Legislation Amendment (Deregulation) Act 2015*
- > *Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 9 of 2014)*
- > *Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 10 of 2014)*
- > *Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 11 of 2014)*
- > *Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 12 of 2014)*
- > *Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 13 of 2014)*
- > *Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 14 of 2014)*
- > *Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 15 of 2014)*
- > *Broadcasting Services (Events) Notice (No. 1) 2010 (Amendment No. 16 of 2014)*

- > Broadcasting Services (Events) Notice
(No. 1) 2010 (Amendment No. 1 of 2015)
- > Broadcasting Services (Events) Notice
(No. 1) 2010 (Amendment No. 2 of 2015)
- > Broadcasting Services (Events) Notice
(No. 1) 2010 (Amendment No. 3 of 2015)
- > Broadcasting Services (Events) Notice
(No. 1) 2010 (Amendment No. 4 of 2015)
- > Broadcasting Services (Events) Notice
(No. 1) 2010 (Amendment No. 5 of 2015)
- > Broadcasting Services (Events) Notice
(No. 1) 2010 (Amendment No. 6 of 2015)
- > Communications Legislation Amendment
(SBS Advertising Flexibility and Other
Measures) Bill 2015
- > *Enhancing Online Safety for Children Act 2015*
- > Enhancing Online Safety for Children
Commencement Proclamation 2015
- > *Enhancing Online Safety for Children
(Consequential Amendments) Act 2015*
- > Spent and Redundant Instruments Repeal
Regulation 2015 (No. 1)
- > *Telecommunications (Industry Levy)
Amendment Act 2015*
- > *Telecommunications Legislation Amendment
(Deregulation) Act 2015*
- > Telecommunications (Overall Levy Cap
Amount) Instrument 2014

Appendix 3

Staffing statistics (30 June 2015)

Table 5.3 Full-time and part-time staff—30 June 2015

Ongoing Full-time Male	Ongoing Full-time Female	Ongoing Part-time Male	Ongoing Part-time Female	Non-Ongoing Full-time Male	Non-Ongoing Full-time Female	Non-Ongoing Part-time Male	Non-Ongoing Part-time Female	Non-Ongoing Casual Male	Total
153	184	13	35	11	27	1	4	—	428

Note: These figures include staff employed by the Department as at 30 June 2015 and exclude all inoperative staff *. These figures include the departmental Secretary.

* Inoperatives are defined as those staff who were recorded as being on leave without pay as at 30 June 2015 for a total period greater than 13 weeks.

Table 5.4 Staff by classification groups and location—30 June 2015

State	APS 1	APS 2	APS 3	APS 4	APS 5	APS 6	EL 1	EL 2	SESB 1	SESB 2	SESB 3	SEC 1	Location total
ACT	4	2	15	43	53	90	120	55	18	3	2	1	406
NSW	—	—	—	1	1	2	13	—	1	2	—	—	20
VIC	—	—	—	1	—	—	—	1	—	—	—	—	2
Classification total	4	2	15	45	54	92	133	56	19	5	2	1	428

Note: The above data is based on substantive classifications. Local designations such as Legal and Public Affairs have been subsumed into the equivalent APS or EL levels. The departmental Secretary is included. Inoperative staff are excluded.

Table 5.5 SES Staff—30 June 2015

SES Staff	Female	Male	SES total
SESB1	10	9	19
SESB2	2	3	5
SESB3	1	1	2
Gender total	13	13	26

Note: These figures reflect substantive occupancy and exclude inoperative staff.

Table 5.6 Staff in equal employment opportunity (EEO) groups—30 June 2015

Male	Female	Total staff 1	DCLB	ATSI	PWD	Total staff 2
178	250	428	58	3	11	72
42%	58%	—	13.5%	0.7%	2.6%	16.8%

Key to Table 5.6

Total staff 1: Ongoing and non-ongoing staff based on their substantive classification as at 30 June 2015.

Total staff 2: Total number of staff who chose to provide EEO information and this may include 'no' responses to some questions.

DCLB: Staff who reported they are from diverse linguistic backgrounds.

ATSI: Aboriginal and/or Torres Strait Islander peoples.

PWD: Staff who reported they have a disability.

Note: The above table excludes inoperative staff.

Table 5.7 Salary range of employees 2014–15

Classification	Enterprise Agreement Salary Range (\$) Lowest	Enterprise Agreement Salary Range (\$) Highest	Individual Arrangements* Salary Range (\$) Lowest	Individual Arrangements* Salary Range (\$) Highest
APS1	43,224	47,466	N/A	N/A
APS2	48,629	53,900	N/A	N/A
APS3	55,305	59,751	N/A	N/A
APS4	61,989	66,995	N/A	N/A
APS5	69,110	75,308	80,307	83,141
APS6	76,207	92,224	92,224	113,394
EL1	92,637	122,404	112,454	130,675
EL2	106,791	143,263	138,156	154,268
SES	N/A	N/A	165,360	290,000

Note: Part-time salaries have been annualised to full-time for comparison. This table excludes all inoperative staff. Classifications with local designations such as Legal and Public Affairs have been subsumed into the equivalent APS or EL levels.

* Includes Individual Flexibility Arrangements and section 24(1) Determinations and supplementary arrangements.

Table 5.8 Performance payments 2014–15

Classification	Number of staff paid	Aggregate amount (\$)	Average amount (\$)	Lowest amount (\$)	Highest amount (\$)
EL1	18	109,082.19	6,060.12	2,482.19	11,000
EL2	21	205,258.63	9,774.22	5,498.63	14,000
Total		314,340.82	—	—	—

Note: Classifications with local designations, for example Legal and Public Affairs, have been subsumed into equivalent APS or EL levels. This table includes all staff who received a performance payment for 2014–15 (includes terminated and inoperative staff as at 30 June 2015).

Table 5.9 Performance payments 2013–14, paid in 2014–15

Classification	Number of staff paid	Aggregate amount (\$)	Average amount (\$)	Lowest amount (\$)	Highest amount (\$)
EL1	1	6,014.53	6,014.53	6,014.53	6,014.53
EL2	2	19,353.87	9,676.94	4,313.12	15,040.75
Total	3	25,368.40	—	—	—

Note: Classifications with local designations such as Legal and Public Affairs have been subsumed into the equivalent APS or EL levels.

Appendix 4

Advertising and market research

In the 2014–15 financial year, the Department paid a total of \$4,823,311.88 GST inclusive to:

Table 5.10 Advertising agencies

Organisation name	Purpose	Amount of payment
BMF	Creative services for Retune	376,099.41
Dentsu Mitchell Media Australia	Awareness campaign (MyBroadband)	17,296.13
Total advertising agencies		393,395.53

Table 5.11 Market research organisations

Organisation name	Purpose	Amount of payment
Orima	Market research for Retune	476,135.00
Essence Communications Australia	Stakeholder research for the Bureau of Communications Research and market research for Stay Smart Online	33,000.00
Taylor Nelson Sofres Australia	Market research for Online Copyright	37,422.00
Newspoll	Market research for Do not Call Register	14,049.20
Total market research organisations		560,606.20

Table 5.12 Media advertising organisations

Organisation name	Purpose	Amount of payment
Dentsu Mitchell Media Australia	Media buy for Retune	3,797,682.71
Mediabrand Australia Pty Ltd	Media buy for Retune	71,627.44
Total media advertising		3,869,310.15

During 2014–15, the Department conducted the following advertising campaign: Retune. Further information on this advertising campaign is available at www.communications.gov.au and in the reports on Australian Government advertising prepared by the Department of Finance. These reports are available at www.finance.gov.au/advertising/index.html.



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Section 6
Reference information

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Acronyms and Glossary

Acronyms

ABS	Australian Bureau of Statistics
ACCAN	Australian Communications Consumer Action Network
ACCC	Australian Competition and Consumer Commission
ACMA	Australian Communications and Media Authority
ANAO	Australian National Audit Office
APS	Australian Public Service
BCP	Business Continuity Plan
CAC	<i>Commonwealth Authorities and Companies Act 1997</i>
CLCs	Common Law Contracts
DTO	Digital Transformation Office
ELF	Executive Leadership Forum
EMG	Executive Management Group
FMA	<i>Financial Management and Accountability Act 1997</i>
FOI	Freedom of Information
FTTN	Fibre to the node
FTTP	Fibre to the premises
GHz	Gigahertz
HAS	Household Assistance Scheme
HFC	Hybrid-fibre coaxial
IPND	Integrated Public Number Database

IRC	Implementation Risk Committee
Mbps	Megabits per second
MHz	Megahertz
NBN	National Broadband Network
NFP	Not for profit
NICTA	National Information Communications Technology Australia
NITV	National Indigenous Television
NGOs	Non-government organisations
NRS	National Relay Service
PAES	Portfolio Additional Estimates Statements
PBS	Portfolio Budget Statements
PGPA	<i>Public Governance and Performance Accountability Act 2013</i>
PRC	Performance Reporting Committee
SES	Senior Executive Service
SSS	Satellite Subsidy Scheme
SSU	Structural Separation Undertaking
STS	Standard Telephone Service
TUSMA	Telecommunications Universal Service Management Agency
UHF	Ultra High Frequency
VAST	Viewer Access Satellite Television
VDSL	Very-High-Bit-Rate Digital Subscriber Line
WCC	Workplace Consultative Committee
YAG	Youth Advisory Group

Glossary

Activity	What an agency does to convert inputs into outputs.
Additional estimates	Where amounts appropriated at budget time are insufficient, Parliament may appropriate more funds to portfolios through the Additional Estimates Acts.
Administered items	Expenses, revenues, assets or liabilities managed by agencies on behalf of the Commonwealth. Agencies do not control administered items. Administered expenses include grants, subsidies and benefits. In many cases, administered expenses fund the delivery of third party outputs.
Agency	Agencies are Departments of State, Departments of Parliament and 'prescribed agencies' for the purposes of the <i>Financial Management and Accountability Act 1997</i> . Where the term is used generally in this document, it is meant to refer to departments, agencies, authorities and non-commercial companies.
Appropriation	An authorisation by Parliament to spend monies from the Consolidated Revenue Fund for a particular purpose.
APS employee	A person engaged under section 22, or a person who is engaged as an APS employee under section 72, of the <i>Public Service Act 1999</i> .
Assets	Future economic benefits controlled by an entity as a result of past transactions or other past events.
Average staffing level	The average number of employees receiving salary or wages over the financial year, with adjustments for casual and part-time employees to show the full-time equivalent.
Bureau of Communications Research	The Department's independent economic and statistical research unit.
Carrier	Holder of a carrier licence.
Chief Executive Instructions	Instructions on the administration of the Department issued by the Secretary under Regulation 6 of the <i>Financial Management and Accountability Regulations 1997</i> .

Conditions precedent	A condition that delays the coming into effect of a right, usually under a contract, until that condition is fulfilled.
Copper network	Telstra's copper-based customer access network, which is used to deliver standard voice telephony and broadband services.
Consultancy services	Refers to external, expert professional skills that are bought to investigate or diagnose a defined issue or problem, carry out defined research, reviews or evaluations, or to provide independent advice, information or creative solutions to help the Department, usually when it does not have these skills internally.
Convergence	The process by which functionalities that were once provided by particular technologies (for example, televisions, phones and computers) and platforms (for example, broadcast, telecommunications and online) are supported by other technologies and platforms so that the end-user experience is similar regardless of the platform or device.
Corporate Governance	The process by which agencies are directed and controlled. It is generally understood to encompass authority, accountability, stewardship, leadership, direction and control.
Departmental items	Resources directly controlled by agencies, including salaries and allowances.
Depreciation	An expense recognised systematically for the purpose of allocating the cost of a non-current asset over its useful life.
digitalbusiness.gov.au	This website provides up-to-date practical guidance for Australian small-to-medium businesses (SMEs), not-for-profit (NFP) organisations and community groups about how to establish or enhance their online presence.
Digital Business Kits	Provide tailored and industry-specific information resources to help SMEs and NFPs use digital platforms to transition their businesses into the digital age, and realise the benefits of high-speed broadband.
Digital dividend	Refers to the radiofrequency spectrum previously used for analog television, which was freed up by the switchover from analog to digital-only television.

Digital Dividend Auction	The digital dividend auction was held in 2013 and used a single auction format to allocate spectrum licences in the 700 MHz and 2.5 GHz bands which are highly suitable for 4G mobile broadband services.
Digital Enterprise Programme	A government funded programme to provide free group training and face-to-face support to help small-to-medium enterprises and not-for-profit organisations improve the way they do business and deliver services online.
Digital Hubs	Operating in 40 communities since 2012, this programme had provided a place where people could go to get help to improve their digital literacy skills by attending free group training, or seeking one-on-one assistance. It ended on 30 June 2015.
Digital Transformation Office	An Executive Agency within the Communications portfolio. It will deliver a streamlined user experience for individuals and businesses transacting with government by reducing red tape and increasing the efficiency of government service delivery.
Enterprise Agreement	A written agreement about working conditions and wages made between an employer and its employees.
Expense	Total value of all of the resources consumed in producing goods and services.
Fibre to the node	Network design where the fibre network is deployed to nodes closer to customers' premises, with copper lines being used for the connection between the node and the premises.
Fibre to the premises	Network design where the fibre network is deployed to individual premises.
Financial results	The results shown in the financial statements of an agency.
Fixed line	Network in which voice, data or broadband services are delivered over a physical line.
Fixed wireless	Network design in which network connections are provided through radio signals.
Gigahertz	A unit for measuring frequency. 1GHz is equal to 1 thousand million Hertz or 1,000 MHz. In the context of this report it is used to describe the frequency of radiofrequency spectrum.

Hybrid-fibre coaxial	Network utilising both optical fibre and coaxial cable, which can be used to deliver pay TV, internet and voice services.
Integrated Public Number Database	The database of all telephone numbers in Australia.
Independent Cost-Benefit Analysis of Broadband and Review of Regulation (Vertigan Review)	This Review assessed the economic and social costs and benefits of faster broadband delivered using different technologies. It also examined and made recommendations on the future structure and regulation of the telecommunications sector. It was carried out by a panel of experts in 2014–15.
Internal auditing	Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.
Key performance indicators	The basis on which to assess the effectiveness of a programme in achieving its objectives.
Liabilities	Future sacrifices of economic benefits that an entity is presently obliged to make to other entities as a result of past transactions or other past events.
Materiality	Takes into account the planned outcome and the relative significance of the resources consumed in contributing to the achievement of that outcome.
Megabits per second	A unit of measurement of transmission speeds. One megabit per second is equal to 1,000 kilobits per second.
Megahertz	A unit for measuring frequency. 1 MHz is equal to one million Hertz. In the context of this report it is used to describe the frequency of radiofrequency spectrum.

Migration Assurance Policy Framework	A framework setting out the respective roles and responsibilities of parties involved in the end-to-end process of migrating fixed-line services off the copper network. It has been developed by the Government in collaboration with NBN Co Limited and Telstra, and is informed by the migration experiences in the first 31 rollout regions.
Mobile black spot	A location with poor or non-existent mobile coverage.
NationalMap	A joint initiative with NICTA and Geoscience Australia, the NationalMap is the first open source, open data and whole-of-government platform in Australia. It was launched in 2014–15.
NBN Co	The company established by the Government to build and operate the NBN.
Non-ongoing employee	A person engaged as an APS employee under subsection 22(2)(b) or 22(2)(c) of the <i>Public Service Act 1999</i> .
Office of the Children's e-Safety Commissioner	An independent statutory office that takes a national leadership role in online safety for children. It came into effect on 1 July 2015.
Ongoing employee	A person engaged as an ongoing APS employee under subsection 22(2)(a) of the <i>Public Service Act 1999</i> .
Outcomes	The results, impacts or consequences of actions by the Commonwealth on the Australian community.
Premises	Locations with addresses where NBN Co must provide access to the NBN.
Restack	The process of clearing television broadcasting services to new channels to release the digital dividend of 700 MHz spectrum is often referred to as the 'restack'.
Spectrum	The span of electromagnetic frequencies used in communications systems.
Stay Smart Online	The Government's online safety and security website, designed to help everyone understand the risks and simple steps we can take to protect our personal and financial information online.

Structural separation	The separation of ownership of Telstra's retail business from its customer access network. It prevents Telstra as a network owner advantaging its downstream retail operations to the detriment of competitors. Within the NBN Co fixed line rollout area, it will be achieved by the migration of Telstra's customer services to the NBN Co fibre network as it is rolled out.
Telstra Definitive Agreements	The commercial agreements entered into between NBN Co and Telstra in 2011 and amended in 2014, which set out Telstra's participation in the rollout of the NBN.
Universal service obligation	Makes sure standard telephone services are reasonably accessible to all people in Australia (other than people in designated STS areas) on an equitable basis, wherever they reside or carry on business; and ensures payphones are reasonably accessible to all people in Australia on an equitable basis, wherever they reside or carry on business.
Very-High-Bit-Rate Digital Subscriber Line	Provides data transmission faster than ADSL using copper wires.

Compliance index

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	Letter of transmittal	Mandatory	iii
	Table of contents	Mandatory	iv–v
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	Glossary	Mandatory	184–189
	Contact officer(s)	Mandatory	ii
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	Review by departmental Secretary	Mandatory	2–4
	Summary of significant issues and developments	Suggested	2–4
	Overview of department's performance and financial results	Suggested	2–4
	Outlook for following year	Suggested	2–4
	Significant issues and developments—portfolio	Portfolio departments—suggested	2–4
Departmental Overview			
	Role and functions	Mandatory	5–11
	Organisational structure	Mandatory	9
	Outcome and programme structure	Mandatory	6
	Where outcome and programme structures differ from PB Statements/PAES or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change	Mandatory	n/a

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	Portfolio structure	Portfolio departments—mandatory	11–13
Report on Performance			
	Review of performance during the year in relation to programmes and contribution to outcomes	Mandatory	18–28, 31–40, 43–51
	Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements	Mandatory	18–28, 31–40, 43–51
	Where performance targets differ from the PBS/PAES, details of both former and new targets, and reasons for the change	Mandatory	18–28, 31–40, 43–51
	Narrative discussion and analysis of performance	Mandatory	18–28, 31–40, 43–51
	Trend information	Mandatory	18–28, 31–40, 43–51
	Significant changes in nature of principal functions/services	Suggested	34, 44, 46–47
	Performance of purchaser/provider arrangements	If applicable, suggested	n/a
	Factors, events or trends influencing departmental performance	Suggested	18–28, 31–40, 43–51
	Contribution of risk management in achieving objectives	Suggested	60
	Performance against service charter customer service standards, complaints data, and the department's response to complaints	If applicable, mandatory	61

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	Discussion of any significant changes in financial results from the prior year, from budget or anticipated to have a significant impact on future operations.	Mandatory	74–77
	Agency resource statement and summary resource tables by outcomes	Mandatory	168–171
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	Statement of the main corporate governance practices in place	Mandatory	56–67
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	Senior management committees and their roles	Suggested	58–59
	Corporate and operational plans and associated performance reporting and review	Suggested	59–60
	Internal audit arrangements including approach adopted to identifying areas of significant financial or operational risk and arrangements to manage those risks	Suggested	60
	Policy and practices on the establishment and maintenance of appropriate ethical standards	Suggested	60
	How nature and amount of remuneration for SES officers is determined	Suggested	71, 175

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	Judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner	Mandatory	61
	Reports by the Auditor-General, a Parliamentary Committee, the Commonwealth Ombudsman or an agency capability review	Mandatory	61
Management of Human Resources			
	Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	68–71
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	Impact and features of enterprise or collective agreements, individual flexibility arrangements (IFAs), determinations, common law contracts and Australian Workplace Agreements (AWAs)	Suggested	71, 176
	Training and development undertaken and its impact	Suggested	65, 68–69, 72–73
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	Statistics on staffing	Mandatory	174–177
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Purchasing	Assessment of purchasing against core policies and principles	Mandatory	77, 79
Consultants	The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website.	Mandatory	77–78, 178–179
Australian National Audit Office Access Clauses	Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	79
Exempt contracts	Contracts exempted from publication in AusTender	Mandatory	79
Small business	Procurement initiatives to support small business	Mandatory	79
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	Ecologically sustainable development and environmental performance (Section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i>)	Mandatory	67
	Compliance with the agency's obligations under the <i>Carer Recognition Act 2010</i>	If applicable, mandatory	n/a
	Grant programmes	Mandatory	79
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	Correction of material errors in previous annual report	If applicable, mandatory	n/a
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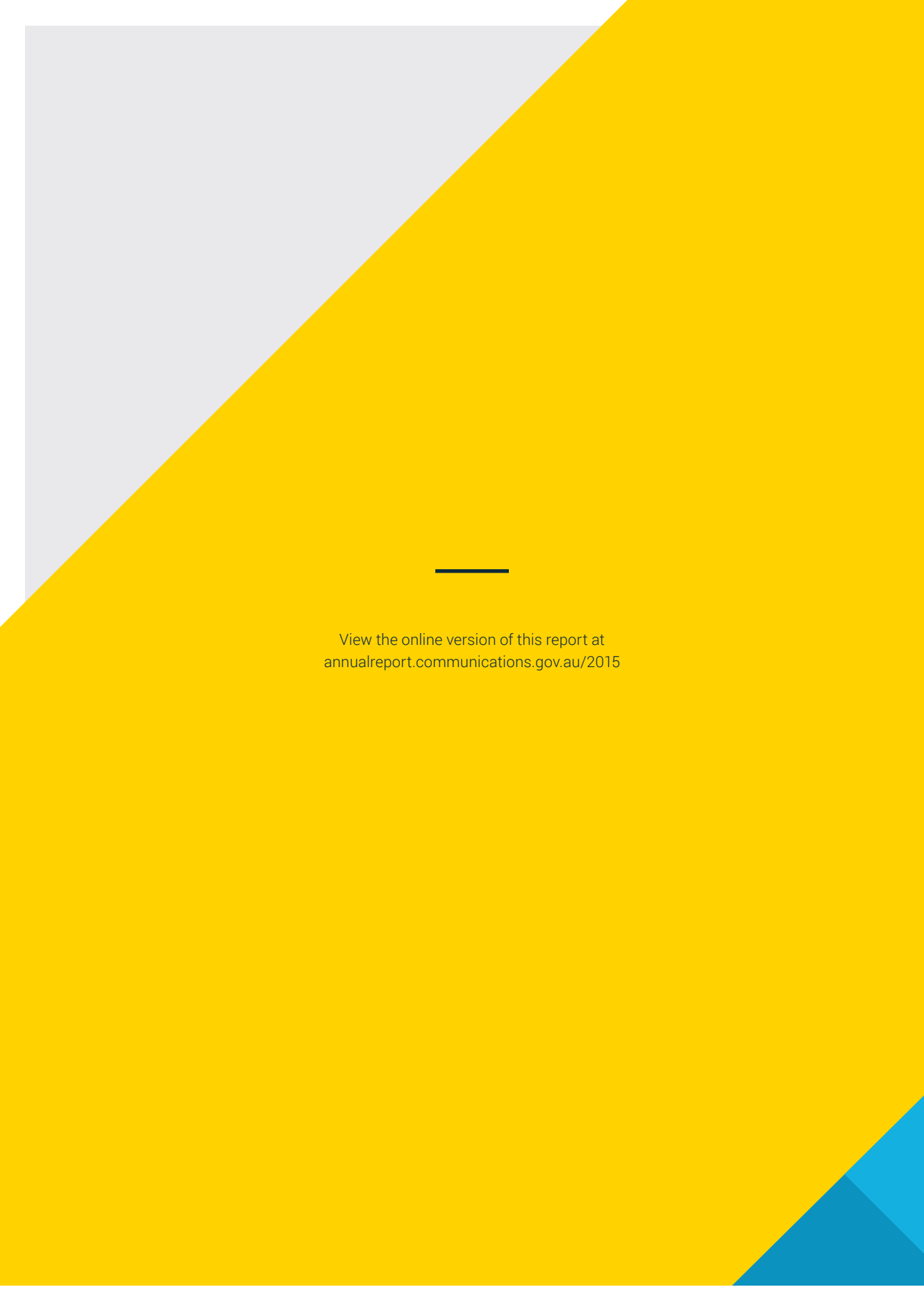
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